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# ***JPRS Report***

## **Soviet Union**

***Economic Affairs***

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# Soviet Union

## Economic Affairs

JPRS-UEA-89-029

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15 AUGUST 1989

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## ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

### Changes to Law on State Enterprises Noted by Reform Commission Official

18200439 Moscow SOTSIALISTICHESKAYA  
INDUSTRIYA in Russian 9 Aug 89 p 1

[Interview with Petr Katsura, first deputy chairman of the USSR Council of Ministers Commission on Economic Reform, by V. Prokhvatilov: "Life Dictates Changes;" date and place not specified.]

[Text] Throughout the country labor collectives are focusing their attention on the changes introduced into the Law on State Enterprises. What will the proposed changes to the economic mechanism give to the workers? This was the topic of our correspondent's interview with Doctor of Economic Sciences P.M. Katsura, first deputy chairman of the State Commission on Economic Reform under the USSR Council of Ministers.

[Prokhvatilov] Petr Makarovich, what, in your view, brought about the amendments to the Law on State Enterprises?

[Katsura] The amendments to the Law are a new step forward on the way to creating a legal basis for our economy, broadening independence, and raising enterprise responsibility. Their necessity is explained by the fact that the existing Law does not take into consideration the new methods of management and organizational structures that have recently appeared and are based on a combination of various forms of ownership. It does not take into consideration the creation of various forms of lease relations, securities markets, and the expansion of direct foreign trade ties. It is assumed that these amendments, together with new approaches worked out in the draft laws on a unified tax system in the USSR, leasing, and other legislative acts, will play a subsequent role in the drafting of a Law on Socialist Enterprises.

[Prokhvatilov] What will they give to collectives right now?

[Katsura] Everybody already knows that the collective has the right to choose independently its form of management, for example, leasing, joint stock, and various models of cost accounting, without approval from higher organizations. Until now, enterprises' moves toward greater independence have been hampered by state orders issued from above. The fuel and energy complex has particularly felt the negative consequences of this limitation. In practice, the volume of state orders, even for extremely scarce products, should not exceed 95 percent.

[Prokhvatilov] Will this additional freedom of activity appeal to everyone?

[Katsura] Certainly not. Collectives will have a hard time wherever management lags behind, where discipline is weak, and where for years they have gotten used to remaining afloat thanks to ministerial hand-outs—and unfortunately there are quite a number of enterprises like that. But I think that the proposed changes will shake up even the most negligent ones.

[Prokhvatilov] At the present time any labor collective can withdraw from its association. Do you think that many will take advantage of this right?

[Katsura] Yes, I think many will. After all, the present production associations sometimes resemble an "unequal marriage." At times they've been formed at the behest of the ministries, and not voluntarily. Many will also take advantage of the opportunity to withdraw from the ministerial system and to transfer to leasing. Life itself has long since formed independent extra-ministerial structures, and this process will now accelerate. Societies [assotsiatsii], concerns, and other forms of associations will develop.

The changes and additions to the Law will make it so that the financial success of a collective and its production profitability will first of all be determined by its own production operations. Whoever works well and produces high quality output will make a good living.

[Prokhvatilov] On the subject of wages. According to the amendments, control over the observance of a normative correlation between average wage growth and labor productivity is being replaced. Does this mean that a more realistic method of restraining inflationary tendencies has been found?

[Katsura] We have to admit that the attempt to restrain economically unjustified monetary income growth of enterprises by the correlation that you mentioned did not meet with great success. Moreover, it led to increased social tensions within labor collectives, which in a natural misunderstanding, responded to the fact that a part of their earnings were frozen in bank accounts and were, in effect, declared "dishonest." Taking into consideration the danger of inflationary tendencies and the huge monetary overhang, it was decided to introduce a progressive tax to help regulate wages. This kind of system has been successful throughout the world.

[Prokhvatilov] Enterprises have the opportunity to issue shares, thus creating a securities market. To a large degree, the success of this innovation will depend on how the population responds to it. Will workers put their earnings into savings passbooks or will they acquire shares in their enterprises?

[Katsura] I think that there will be a great deal of interest in acquiring shares. The experience of other socialist countries is proof of this. For example, long lines formed in Hungary on the day that industrial enterprises' shares went on sale. And not surprisingly, once a worker has purchased shares in his plant, he truly becomes a co-owner in the enterprise and receives income from its



operations. In such a case, he becomes vitally interested in raising labor productivity, introducing innovations and rationalizing suggestions. More over, there is an appreciable gain to be made by drawing cash into the area of expanding production. This can significantly decrease the amount of pressure the huge amount of money now in circulation places on the consumer market.

[Prokhvatilov] It is also envisaged that enterprises will have more independence in establishing additional social benefits for their workers. What does this mean?

[Katsura] This means that, in addition to state-guaranteed social benefits, part of enterprises' cost accountable income, most of which goes into the wage fund, may, with the approval of the labor collective, be used for improving workers' living conditions. This includes raising pensions, grants to large and low-income families, payments for working conditions, and extending vacation time for women. In sum, whatever are the most pressing concerns of individual enterprises. It's important, of course, that these measures be closely linked not only to improvements in the collective's overall work results, but to improvements demonstrated by those categories of workers which are most directly affected. The USSR State Committee for Labor and Social Problems [Goskomtrud] is presently drafting recommendations for the application of the above-indicated benefits.

#### **Role of Congress in Economic Policy-Making Viewed**

18200426 Moscow *SOTSIALISTICHESKAYA INDUSTRIYA* in Russian 23 Jul 89 pp 1-2

[Interview with N. Petrakov, deputy chairman of the Planning and Budgetary-Financing Committee of the USSR Supreme Soviet and Corresponding Member of the USSR Academy of Sciences, by L. Telen: "Who Is the Master of the House?"]

[Text] Ration cards for manufactured food goods are considered to be a sign of misfortune in any economic system. Such cards have been introduced into operations—and thus the discussion has to do not with particular difficulties, but rather with a crisis in the economic mechanism, with a rejection of trade in favor of distribution and the inability of the departments to halt the growing crisis with the aid of economic measures. Under such conditions, the economy is sharply aggravating the political situation. This became obvious during the discussion in the Congress of People's Deputies. But another factor also became obvious: these same economic questions turned out to be very complicated for the deputies and their acuteness was underrated. How do the people's deputies of the USSR intend to restore order in our common home? Will they accept the obligations of "head of the house" and solve not only the immediate but also tomorrow's problems? Answers to these and other questions associated with the role played by the deputies in economic policy are herewith provided by a member of the

**deputy's club of SOTSIALISTICHESKAYA INDUSTRIYA, deputy chairman of the Planning and Budgetary-Financial Committee of the USSR Supreme Soviet and Corresponding Member of the USSR Academy of Sciences N. Petrakov.**

[Petrakov] I must say that even prior to the Congress, a majority of the deputies were in agreement that society's most serious problems were of an economic, international and ecological nature. But indeed, a sober analysis of the situation reveals that international relations and the ecology are also associated with the economy. Why is it that the Baltic republics are demanding independence so persistently? It is because they wish to protect their republic market—including with the aid of such an exotic measure as their own currency—from our all-union mistakes and blunders. And can we not understand their desire to solve their own economic problems and not have to wait for the Soviet Union to do so? Is this an exclusively national question? I do not think so. The national feelings of the French with regard to Germans are scarcely different than the feelings of Latvians towards Russian. But Western Europe is advancing towards integration based upon overall economic stability. And we are moving towards isolation against a background of economic disorganization.

The same holds true for ecological problems. All of them arose out of our administrative system and mainly as a result of departmental monopolism. Thus, if we approach our economic problems using such measures, then it becomes obvious: they were not examined thoroughly during the Congress. Of 96 who participated in discussions of the reports, only four were economists. Moreover, Aleksey Yemelyanov had no experience with economic questions. Meanwhile, the concept formulated in the report by Nikolay Ivanovich Ryzhkov required serious discussion.

[Telen] Do you believe that it contains many vulnerable areas?

[Petrakov] More or less—but this is not the essence of the matter. There are definitely some controversial positions. I was especially alarmed by the readiness of the government to advocate mainly quantitative rather than qualitative changes. For example, the number of ministries is declining and yet their new functions are being discussed in a very indistinct and vague manner. And this example is very typical.

[Telen] Why is it that many of the deputies did not take note of these and some other economic problems?

[Petrakov] Regrettably, it is my opinion that this represented the legacy of the Supreme Soviet, which only recently accepted with childish trustfulness the optimistic statements of the government. Not only because of political tradition, but also owing to its own lack of expertise. Just as in the past, many problems are being resolved based upon the economic ignorance and short-sightedness of many deputies.

Shortly before the congress, the 15 March 1989 decree of the CPSU Central Committee and the Council of Ministers on measures for realizing financial improvements in the economy during 1989-1990 was published in the May issue of IZVESTIY TsK KPSS. This document called for a reduction in social programs of roughly one half.

However, first of all, this document was illegal, since it corrected decisions which had been adopted earlier by the parliament. And secondly, how can one explain the fact that 2 months later the head of the government was proposing, to a thunderous ovation by the congress, a new expansion in the social program? In my opinion, it would be far more appropriate to applaud the questions. Why does the government favor an increase in pensions but at the same time postpones an increase in post-natal paid vacation time for women or an increase in food expenditures for pre-school institutes? And this is recorded in the 15 March decree. What explanation can be given for the fact that initially the government withholds 2 billion from the social sphere and later invests 6 billion in it. Do we have the money or a fine gesture on the part of the government to again switch on a printing press? The deputies should have assigned all of these questions to the head of the cabinet, but alas nobody did this.

[Telen] However, Nikolay Yakovlevich, let us reason sensibly. Many of the people's deputies—and there is nothing shameful in this—today just as during the congress are not adequately grounded in economic matters. This includes members of the planning and budgetary-financial committee in which you work. Under such conditions, can the deputies truly exert an influence upon state economic policies?

[Petrakov] Really, there are only a few professionals in our committee and yet there are people who sincerely strive to understand the financial problems. It can generally be said that we have representatives from various layers of society—kolkhoz members, general directors and scientists. My colleagues are thoughtful individuals who have extremely radical views. Earlier, when I encountered unprofessional and incompetent officials, they concealed this fact in every possible way from those present as they swelled out their cheeks by way of indicating that they understood everything. And this appeared ridiculous since it revealed their own directives. And the deputies sincerely recognize the fact that they are not sufficiently competent and thus they are prepared to learn, to even listen to lectures and to read special literature. Allow me to cite just one example. During a committee meeting, after we had discussed in detail and analyzed the 15 March decree, the deputies recognized its illegality and danger to the country's national economy. At the present time, signatures are being collected in the parliamentary committees and other committees from those desiring to have this decree abolished.

[Telen] We are aware that regardless of how competent the parliament may be, it cannot and must not examine

all economic questions. In your opinion, to what extent should the work of the Supreme Soviet be limited in this area?

[Petrakov] It seems to me that parliament must concern itself with the budget and taxes. This is the most important aspect.

[Telen] Let us begin with the budget. What is meant by holding it under deputy control?

[Petrakov] Our task is not simply to approve the budget in the overall amount or just particular items of the budget. We must first of all preclude the possibility of the state touching an enterprise's own finances. And certainly the credit resources. At the present time, credit is not set apart from the finances. The budgetary obligation to the bank of 65 billion can in no way be considered as falling within the norm for legal economics; it was not formulated using valuable papers and thus it can generally be easily concealed from the people.

As few resources as possible should be allocated from the budget for national economic development and the principal proportion of capital investments in production should consist of credits and an enterprise's own resources. And budgetary appropriations should be only for large-scale scientific-technical programs of a strategic nature.

What priorities should be established here—this is a question of parliamentary competence. Unfortunately, we still have not learned how to do this intelligently. We have fallen behind in microbiology, in microelectronics and in personal computers and why? Because at the time we were unable to reveal the true priority. And by tradition we follow our western partners; it is interesting to speculate how we poor countries would have developed if capitalism had never existed. Gosplan and even the Council of Ministers are daily and hourly interfering in the work of enterprises and shepherding them as though they are dumb animals. When does strategy enter into it? The new parliament can and must change this entire system—the priorities, supported by budgetary funds, must be selected in a faultless manner.

[Telen] But you will agree Nikolay Yakovlevich that this is still in the realm of wishes. And how do you view the true mechanism for sharing finances?

[Petrakov] The committee of the chamber and the committees of the Supreme Soviet must be authorized to assign an independent committee of experts for these same questions. We will then be able to attract for consultation not those specialists recommended to us by the Council of Ministers, but rather those whom we select ourselves. In particular, during the period that the congress was in session I introduced a recommendation calling for all plans costing more than 2 billion rubles to be approved by such a committee of experts. Indeed, up until now, the government or party leadership, as I

understand it, has approved the various types of gigantic plans which subsequently tie the hands of the entire national economy.

Apparently, we will invite to our meetings not only the Minister of Finances but also other ministers, all of whom must prove why their ministries require 2 billion rubles worth of capital investments from the budget and not just 1 billion and why they cannot operate based upon their own resources.

[Telen] Is the Supreme Soviet interfering in other spheres of budgetary policy?

[Petrakov] No, there are still at least two expenditure items of the budget which still are our concern. The first: the creation of an infrastructure—communications, roads, transport communications and a modern information system. There is still one other area and it is almost the most painful one—the social program. The majority of deputies are still only gathering up the requirements of their electors and promising to carry them out, but by no means are they measuring these promises against their true potential. It is my hope that parliamentary work will educate not only the ministers but also the deputies.

[Telen] Particularly since many of them, judging by the speeches during the congress, do not always understand where social protection ends and wage levelling begins.

[Petrakov] Yes, this is true. Not everyone is aware that society can provide strong social guarantees to its members only if it is rich. If we are poor, then our social guarantees will be miserly. It is precisely here that we encounter the question as to how to correlate the social guarantees with economic interest. Here there is something for parliament to think about.

[Telen] With the exception of the budget, as you stated, the Supreme Soviet must concern itself with the tax policies. And it is these policies which we simply lack; each minister can change the tax rate with merely a stroke of a pen. But it appears that we lack the time needed to develop a strategy: the Supreme Soviet immediately commenced an examination of the specific ukazes dealing with taxes.

[Petrakov] I agree. Taxation policies are very important, since the effectiveness of economic development is dependent upon them. A tax must not be viewed as the principle "give back to me a portion of my income"; a tax is first of all a stimulus. I am convinced that, having failed to examine the tax policies in detail, we are unable to adopt even one promising document. And what are they proposing that we do? To discuss only an income tax for the population. But this is only 8 percent of all budgetary income! In my opinion, the plan as presented is nothing more than an imitation of busy staff work.

[Telen] And what program would you recommend?"

[Petrakov] First of all, the Supreme Soviet is obligated to change the principles of the domestic tax system. Ours is

the most decentralized system in the world. Moreover, here the rates are determined, as you noted correctly, not by the government but by the departments. Meanwhile, in a normal civilized state a unified tax system for all enterprises is viewed as national policy and as the realization of those principles of fairness which were adopted by society. We must follow this path while purposefully reforming the entire system of taxes.

[Telen] What practical steps has your committee already taken in this regard?

[Petrakov] When we discussed the candidacy of Gosplan chairman Yuriy Dmitriyevich Maslyukov, we were assured that the preparation of this draft law was already being carried out. For our part, we wish to hold open hearings. It would be well, during the course of detailed discussions, to acquaint the deputies with the taxation systems of leading capitalist countries. Indeed taxes constitute an evolutionary system that lacks authors; they came into being as a result of a natural selection.

And I believe that the main consideration is to develop an alternative plan for tax legislation. This work must be headed by members of our committee.

[Telen] Are you prepared to head up this committee?

[Petrakov] I am prepared. This would be truly interesting.

[Telen] Your committee, judging by its title, must concern itself with plans. But today it is precisely plans that are restricting the economy and slowing down the reform. What is your opinion as to the participation of deputies in the preparation of plans?

[Petrakov] I understand your concern and I also have many complaints regarding both the five-year and annual plans. Certainly, they must not continue to be prepared as they are being prepared at the present time. Up until now, we always considered a plan to be law. But if we examine the fulfillment of plan-laws—then we see extensive lawlessness. Indeed, they are not being fulfilled as a rule. On the other hand, the well known Japanese and French plans—plan forecasts!—which have been criticized from the standpoint of official political economy, have been carried out very effectively. This gives us something to think about today.

How can the social priorities be made known to the executive agents? I believe that this can be done only with the aid of taxes, credits and benefits. On 1 August Gosplan must present the next draft plan to the Council of Ministers and on 1 September the Council of Ministers will turn it over to the Supreme Soviet's committee, including our committee. If everything is just as it was in the past, then we are prepared for a conflict. Nevertheless, we do not wish to go wall to wall; we are merely looking for results. The earlier we begin to discuss the future plan, including in the press, the fewer will be the ambitions. But a question arises here with regard to limiting the functions of the legislative and executive

authority; it is not simple and is in need of further refinements. In any case, it can be definitely stated that strict control will be exercised over both the budget and the plan. I have no doubt in this regard.

[Telen] But will not recognition of the economic independence of the republics, in the interpretation proposed by the Baltic representatives, cheapen the work being performed by our committee?

[Petrakov] In order to work well, there is no need for a large tract. The soil must be worked well and results will be obtained. I favor expanding the independence of the republics and not just the republics but also the oblasts. Rather than cheapening our work, it will make our overall creative work more fruitful.

### **Interdepartmental Group Drafts Antimonopoly Legislation**

*18200417 Moscow SOTSIALISTICHESKAYA  
INDUSTRIYA in Russian 8 Jul 89 p 1*

[Interview with Luka Ivlevich Yakovlev, director of the interdepartmental group formed by the USSR Council of Ministers to prepare a package of documents on antimonopoly policy and development of competition, by I. Zhagel, special correspondent: "The Beginning of the End of Monopolies"; date and place not given]

[Text] After the lengthy discussions about the need to combat various manifestations of monopolism in our country, we appear to have moved on to practical steps. A decision of the USSR Council of Ministers has created an ad hoc interdepartmental group to prepare a package of documents "on antimonopoly policy and development of competition." I. Zhagel, our special correspondent, called upon L. Yakovlev, the group's leader, to tell about it.

[Zhagel] Luka Ivlevich, even at the time when we were agreeing about our meeting, the name of your ad hoc collective, with the word interdepartmental, grated on the ears. Have the departments actually been ordered to draft legislation which is essentially directed against them themselves? Will this not affect the quality of the documents?

[Yakovlev] Although as a matter of fact the work was done under the sponsorship of USSR Gosplan, legal experts and economists from a number of institutes of the academy made up the backbone of our group. We also took advantage of the experience of specialists of union-level Gosarbitrazha, Minfin, Goskomsen, Gosplan, and other departments.

It should be said that our group immediately rejected the idea of drafting some "homespun" version of antimonopoly legislation of our own. In preparing it, we used the rich experience of the capitalist and socialist countries—Hungary and Poland have gotten quite a bit ahead of us in this important matter.

We have tried to be scrupulous even in our terminology. For instance, there were hot disputes in our group over

the advisability of using a term like the "socialist market." After all, the laws of economics are undivided. Just as the conditions for the occurrence of real market competition are undivided: the existence of a large number of suppliers, the freedom to choose among them, and the changing of prices in accordance with supply and demand....

[Zhagel] You spoke about the need to have several suppliers. How many of them must there be? And how as a practical matter do you propose creating a system of competing enterprises when in many branches specialization in our country has reached maximum levels?

[Yakovlev] As shown by world practice, the existence of real competition requires having three or more enterprises manufacturing one and the same product. What is more, the volume of production by each plant must not exceed 30 percent of the total volume of these goods on the market.

As for ways of carrying out the antimonopoly policy, we propose the following: first of all, we need to work out a system of preferential credit financing and taxation that will stimulate creation of new enterprises in the most highly monopolized spheres of production. It is also important to completely disassemble the branch structure of management of the economy, which is the basis of the narrow specialization of plants. And finally, we must decide to take the step of making enterprises smaller, although this clearly is no simple matter and will take time.

But we must not go from one extreme to the other. If enterprises or associations demonstrate the advisability of concentrating the production of certain products in the same hands—otherwise, for example, it will be impossible to introduce the most progressive manufacturing processes, to guarantee high labor productivity—then they have to be granted that right. Incidentally, that is the practice of the antimonopoly agencies of western Europe. Only in this case the state controls prices more tightly and conducts a more flexible tax policy that does not allow the producer to get rich at the consumer's expense.

[Zhagel] Possibly in the West they are successful in regulating prices of the products of monopoly producers, but in our country this has been something that has not been done very well in recent years....

[Yakovlev] Here again there is nothing surprising; after all, we ourselves have pushed enterprises to put more expensive products into production by assigning them ever higher and higher plans which moreover were stated in value indicators. We now seem to be giving this up, but wages and all other funds are linked in one way or another to the infamous gross, just as they were before!

In the package of documents which our group recently prepared, the adoption of antimonopoly legislation is viewed in close interrelationship with the other directions of the economic reform.

[Zhagel] But even today the circular effect is obvious: economic transformations cannot be continued effectively without adoption of antimonopoly legislation very soon.

[Yakovlev] Yes, that is so. The reduction of the administrative-command system, when competitive principles were not developed and when there is no real cost accounting (*khozraschet*), has resulted in the dictate of the producers; there are now increasingly frequent cases of their extorting more favorable terms for themselves by refusing to make deliveries. The economy has gotten out of balance, and inflationary processes are growing.

Structural changes in the economy are equally disturbing. What is happening now as a rule is that one monopolist is being replaced by another one. And it seems that if the laws drafted by our group had appeared earlier, then such intersector state associations as "Energomash," "Tekhnokhim," and "Kvantemp" would not have come into being.

[Zhagel] Who specifically, in your opinion, must prevent the formation of such monsters? It is clear after all that the mere drafting of laws is manifestly insufficient. An instrument is needed to enforce them.

[Yakovlev] Our recommendations on this point are that a special body should be created under the USSR Supreme Soviet, like the Antitrust Administration of the United States. It would not only monitor the observance of the relevant laws, it would also refine them.

[Zhagel] And the last question: Now that the package of proposals has been prepared, what comes afterward?

[Yakovlev] Now we turn these documents over to the USSR Council of Ministers. After the draft of the antimonopoly legislation is examined by the government, in which all interested parties will be involved, it seems that it is to be put up for the broad judgment of the community. After all, its main purpose is to protect the consumer.

But in our opinion, preparation of the documents must be completed for the next Congress of People's Deputies of the USSR. By that point, the antimonopoly agency should be created, the necessary personnel should be selected for it, so that even in the current year the work begins to develop competitive principles in our economy.

### **Lenin's Concept of Economic Management Defended**

18200425 Moscow PRAVDA in Russian  
19 Jul 89 First Edition p 3

[Article by G. Smirnov, academician: "A Historical Excursion"]

[Text] It is quite natural that in seeking specific and efficient ways and methods of embodying radical economic reform, our social scientists constantly turn to history, for

after all, one can often find there the profound thinking and unrealized practical concepts rejected by Stalin and the NEP, and many other things as well. The leaders of the CPSU see their goal in fully restoring, in theory and practice, Lenin's concept of socialism. This is a task of paramount importance. In reality, what have we not been able to embody from Lenin's legacy, and what should be immediately restored? What, quite possibly, has become out of date and is only a historical episode in the development of socialist thought? Both scholars and journalists are addressing these problems.

My attention was drawn by two items published in the journal OGONEK (No 24 for 1989). This is the article by the well-known economist G.Kh. Popov, in the form of a sort of foreword to an article by L.V. Krasin (a comrade of Lenin's, an old Bolshevik, diplomat and major organizer of the socialist economy). In his time, after the publication of Lenin's article, "Luchshe menshe, da luchshe" [Better Less, but Better], Krasin came out in PRAVDA (March 1923) with critical comments on this article of Lenin's. In a relatively small item entitled "Kontrol ili proizvodstvo" [Control or Production], he reproaches Lenin for the idea that he advanced on creating a kind of Super Rabkrin [Workers' and Peasants' Inspection] as a control organ, while the main concern should lie in restoring the country's economy and increasing production. Krasin felt that, by sending "the best specialists" to the reorganized Rabkrin, we thus weakened production.

In my opinion, this was a common polemic for those times. "As for the positive part of the article," writes Krasin, "I cannot quite make out strictly where V.I. Lenin is plowing his furrow." G.Kh. Popov, however, is delighted with Krasin's boldness, even though he knows perfectly well that this type of boldness was an ordinary matter at that time. The question is a different one: it appears that in that distant time, there was a man alongside Lenin who thought differently from Lenin, and dared, with surprising profoundness, to disclose many features of the mechanism which we now call the Administrative System. Not only this: Krasin's article proves that in our party, approaches differing from Lenin's were advanced for the building of socialism in Russia, and that Krasin had formulated his own position long before V.I. Lenin's article. These were the attitudes of L.B. Krasin and were an alternative to the Administrative System.

In his article, G.Kh. Popov briefly enumerates the features of the models of L.D. Trotsky and N.I. Bukharin. These models (with certain differences and deviations) are variants of the Administrative System, i.e., of the system in which the power won by the proletariat is used to build a new economy. Because of the theoretical Daltonism, however, we are unable to see the many colorations, either in theory or in practice, and regard the Administrative System as the only conceivable one. It appears that we have failed to take account of L.B. Krasin's model, which, we repeat, was an alternative to the Administrative System.

In reality, it is an interesting statement of the question! Everyone else is remembered, but Krasin suddenly found himself in the background. Filled with deep respect for the merits and authority of L.B. Krasin, we attentively trace the course of G.Kh. Popov's thought. With respect to the tasks facing the Party and the Soviet regime, the professor records, L.B. Krasin did not disagree with V.I. Lenin. L.B. Krasin insists on the Leninist platform: socialism must be built, power must not be given up, the basis for it is to be built by means of this power. Where is the difference of opinion with V.I. Lenin? The answer is clear: in the actual approach to the instrument of the building, to authority and to the system.

In V.I. Lenin's system for reorganization of the Rabkrin and the TsKK [Central Control Commission of the VKP(b)], L.B. Krasin "perspicaciously saw" the danger of emphasizing the creation of administrative machinery as the chief instrument of economic construction. Krasin sees the theoretical errors behind Lenin's ideas of control, for it is said that control and the Administrative System as a whole occupy a subordinate position in the economic system. They serve it. The better organized the economy, the less control is necessary.

The attitude in itself, as we can see, is irreproachable. From the context of G.Kh. Popov's article, however, it follows that Lenin did not understand this and placed control above economics. Are we not now, however, slandering G.Kh. Popov excessively? It would appear that we are not slandering him. Then just what did L.B. Krasin know and what did he call for that V.I. Lenin did not accept and did not understand? We read: "L.B. Krasin propounded his own way of using authority to uplift economics. It is a question of what he names as the methods advancing production (today we would say—economic methods)." In brief, these methods look like this: the best organization of the production apparatus, the most intelligent selection of people, material provision for the workers, employees and supervisory personnel, the cooperation of the worker, the equipment and the representatives of authority. In evaluating these proposals, G.Kh. Popov notes: "This, of course, was not yet a variant of what we today call the economic mechanism. In this variant, however, there was a main unit: the idea of using inherent economic methods, above all, material incentive."

Does this mean that Lenin did not have all this? Just what happened at that time? How does the professor evaluate Lenin's views as a whole? Here is what he himself writes on this subject: "...The model of V.I. Lenin contains its own unique synthesis of the approach of the NEP and the approach of militant communism. From the first came the idea of a system of civilized cooperatives, and from the second—the idea of management on the part of the minority by the majority of the people, and the idea of industrialization and collectivization organized from above, of the entire cultural revolution .... The conviction has grown up in me,

personally, that this plan had greater bases for development in the direction of the variant of the Administrative System (of course, in a variant differing from the cult of the personality)."

I ask you to turn your attention to this: here, only the idea of "a system of civilized cooperatives" was taken from the NEP. A different part of the economic ideas developed during the NEP period was linked with the name of Krasin. Everything else that Lenin did—well thought out, mature, and put into life—all this was "forgotten" in order to show Lenin as the founder of the Administrative System.

To make these positions even more convincing, G.Kh. Popov attempts again and again to emphasize that in Lenin's views there prevails the idea of control, the idea of bureaucratic administration. The hope of "worker control" began even before the October revolution. Farther on—there is more, however. He, i.e. Krasin, in the opinion of G. Kh. Popov, seemingly sees that our revolution had no variant other than "pressure and destruction", and that the civil war was caused by bureaucratic administration of the economic system .... (emphasis mine.—Author).

As can be seen, the matter does not lie only in control. The question is deeper. It rests on the nature of our revolution, the civil war and our party's program. I write down the lines mentioned above and cannot cease to marvel that one idea, becoming an idee-fixe, can make a person say incredible things. You involuntarily ask yourself, why was Professor Popov forced to ascribe to L.B. Krasin statements on the one-sided, destructive nature of the October Revolution and on the fact that the bureaucratic administration of the Soviet regime in economics caused the civil war?

It must be said first of all, that Krasin himself did use precisely these words in the article under discussion. Krasin writes about something completely different: "...Many methods of action and struggle that we employed before the revolution or in its early period, the period of pressure and destruction, are subject to revision by us and many have been abandoned." He returns to this idea once more. Nowhere, however, will you find the statement that our revolution had no variant other than pressure and destruction. You will agree that this smacks of fact juggling.

Now, concerning the fact that the civil war was caused by bureaucratic administration in the economy. This, you know, is the type of "discovery" which certainly requires attention. It is of the order of those in which it is stated that we ourselves also caused the attack of Hitler's Germany on the USSR.

Let us return to the start of the civil war. As is known, on 7 November (new calendar style) in Petrograd, even before the opening of the 2d All-Russian Congress of Soviets and Soldiers' Deputies, the Mensheviks, true Socialist Revolutionaries, Bundovists, etc., after having proclaimed a declaration of protest "Against the Military

Conspiracy and Seizure of Power," deserted the congress, having seized the money of the old VTsIK [All-Russian Central Executive Committee], which now no longer belonged to them, and went, not home, but somewhere else, to Kerenskiy and Krasnov, whose troops advanced on Petrograd, which was in revolt. In a word, they left to wage a civil war even before the Soviet regime had succeeded in adopting even one administrative act in the sphere of economics. They went where, on the Pulkov heights in front of Petrograd, the first battles of the civil war took place.

The second fact. In the days of the October insurrection, Colonel Rabtsev, commanding the MVO [Moscow Military District], a socialist revolutionary, at dawn on 10 November, fraudulently induced the Trotskyites to open the gates of the Kremlin, and the cadets, after bursting in, formed up the soldiers of the 56th regiment and opened up artillery fire on them. This was the first mass terrorist act of the counter-revolution, which is commemorated today on the Kremlin wall on Red Square.

Or, perhaps, the "bureaucratic administration in the economy" worried the Don ataman [Cossack chieftain], Kaledin? We know that, after receiving a telegram from Petrograd about the completed October insurrection, Kaledin immediately announced that he would give the Provisional Government full support. He introduced martial law in the Donbass and began to threaten the Soviets. He gave shelter on the Don to the fugitive generals then standing at the head of the White Guards: Kornilov, Denikin, Lukomskiy, etc. It is not superfluous to remind you that by Soviet authority, General Krasnov—the organizer of the first anti-Soviet armed appearance—was released on his own recognition.

Did the bureaucratic administration of the Bolsheviks in the economy also worry the interventionists? Incidentally, there is nothing in Krasin's article about a situation from which it would follow that the civil war was caused by bureaucratic administration in the economy. The following is said there: "Our Party fulfilled the gigantic revolutionary-destructive work five-fold and more, swept out the last remnants of autocracy and feudal orders with an iron broom, broke and threw down our good-for-nothing Russian bourgeoisie and affirmed the unshakeable dictatorship of workers and peasants." You will agree, this is something else....

Just what, then, gives Professor Popov a basis for forgetting the elementary truths, the essence of which lies in the fact that it was precisely the victory of the revolution, the seizure of power by the workers and peasants, the important decrees on land and peace that provoked the resistance of the landowners and capitalists, and along with them the socialists (Mensheviks and Social Revolutionaries), who, with the support of foreign capital, also expanded the civil war in Russia? We do not assume that such a major social scientist would not know these elementary truths. He simply omits them, turning away from them for some purpose. The point, it must be assumed, lies in proving the same thing, and namely,

that Lenin began bureaucratic administration, and that he was the creator of the Administrative System, which ostensibly became Stalin's main activity. (Incidentally, the author carries the same idea into the just published article on the second RKP(b) [Russian Communist Party] Program—G. Popov, "Programma, kotoroy rukovodstvovalsya Stalin" [The Program That Guided Stalin], *NAUKA I ZHIZN*, No 7, 1989.)

Now we must still turn to the pronouncements of Lenin which pertained precisely to economic methods of activity—at least to some of them. It was none other than Lenin who felt that "for the Soviet regime it is precisely labor organization... that is the main, fundamental and burning topic of all public life" (Vol 36, p 147). Further on: "Converting state enterprise to so-called cost accounting is inevitably and indissolubly tied with the new economic policy, and in the near future this type will inevitably be predominant, if not exclusive" (vol 44, pp 342-343). And again, on something that particularly suffered after Lenin: "...Democratic centralism henceforth will not exclude autonomy and federation..., it presupposes the fullest freedom of different localities and even different communities of states in working out various forms of State and public and economic life.... The greater this variety..., the truer and more quickly both our achievement of democratic centralism and implementation of a socialist economy will be" (vol 36, pp 151-152). "Personal interest in production is rising; we must increase production above all and no matter what happens" (vol 44, p 152).

The pronouncements of V.I. Lenin quoted here are only a few examples of his vast legacy for developing economic methods of conducting activity. The four or five points enumerated by Professor Popov from the "program" of L.V. Krasin are only a pale copy of Lenin's ideas and concepts. Popov cannot help but know this.

Indeed, Lenin was an adherent of control as a measure of labor and distribution, and emphasized the importance of calculation and control in building socialism. But surely control and calculation are quite necessary, surely we wish that we had a better knowledge of what is being done everywhere in our country? After all, calculation and control are the basis of glasnost in economics. The people can be informed only when the leaders have a good knowledge of what is happening in our country, what is taking shape and what will happen.

As for the place of Lenin's ideas of control as compared with the development of economic methods of management, the latter clearly take precedence in the system of views on socialism. It turns out that the way in which G.Kh. Popov distinguishes restructuring—economic methods of management—was laid down precisely by Lenin. Our misfortune lies in the fact that we have in many ways not followed Lenin's path. Does this mean, however, that Lenin's ideas proved to be useless?

Let us discuss the problem in a somewhat different way: what and how many of Lenin's ideas could we not



succeed in implementing? What, of the unimplemented, remains on the agenda? Industrialization—yes, it has been carried out, although not in Lenin's variant; collectivization—yes, but even less in Lenin's variant; the cultural revolution—also yes, but how much here was "fetters and lies"? Can all this be disregarded, though? No, precisely because restructuring is thus being carried out, which must bring society out of the crisis situation, by using Lenin's legacy, and the experience accumulated in our country and by all mankind.

Now let us take the economic methods of production management. Cost accounting. This was Lenin's idea. Today it is regarded as of paramount importance in economic reform, but there is still a great deal to be done for it to operate at full strength! Cost accounting needs a market, but what kind? Uncontrolled, regulated? Lenin did not tell us this. There are arguments even today. Well, was Lenin to blame for this? A monetary reform was carried out under Lenin, and we had a converted ruble as "gold." Now—this is still in the future. We have fully adopted Lenin's ideas of the connection between personal and collective material interest, but this problem must be solved again and again. We have essentially placed Lenin's interpretation of democratic centralism, calculation of local interests, variety and competition at the basis of economic reform. We have only just begun, however. Lenin encouraged the development of cooperation. Now we are taking this path. Only now. Lenin used leasing. We too are only now taking the first steps. Lenin attributed great importance to the role of banks, their independence and responsibility in controlling economic activity. Our Gosbank for a long time had the rights of a division of the Ministry of Finance and along with it—was a stern suppressor of any initiative and entrepreneurial activity.

V.I. Lenin severely criticized bureaucratic centralism and called bureaucrats the worst enemies of the Soviet regime. In the years since Lenin we have created and reinforced a layer of bureaucracy and are now fighting it in a disorderly way, lumping together the bureaucrat-formalist and egoist with the business-like party or Soviet worker. Finally, Lenin came out for strict centralization in management—went boldly to the development of independence for trusts, syndicates, concessions, cooperatives and other horizontal structures. Have we had much success in realizing this idea? We know very well. So we must still do a great deal in order to follow Lenin's path successfully. After all, no one can propose any other (if we remain on the soil of socialism).

It is strange that G.Kh. Popov did not notice in Lenin's article (with respect to the TsK [central committee], the TsKK, Rabkrin) the profound worry, above all, of forestalling a schism in the Party. This is the main thing in Lenin's Testament. Considerably earlier, in 1923, in a letter on the subject of admitting new members into the party, Lenin wrote the well-known words: "...At present the proletarian policy of the Party is determined not by its complement, but by the huge, undivided authority of a very fine layer, which can be called the old party guard.

There is a quite small inner struggle in this layer and its authority will be, if not undermined, at least weakened so much that a decision will no longer depend on it" (Vol 45, p 20).

V.I. Lenin was very worried about Stalin's relations with Trotsky and the coarseness in Stalin's behavior, and he sought ways to overcome the threat of schism. It would have been understandable that Krasin did not notice this, as a contemporary of those events, a person standing close to the main characters. The fact is, however, that Krasin was exactly the one to notice, not immediately, but in a small supplement to the article he actually says the necessary words: "The new TsKK will be made up of a united group, which should, without respect of person, be looked after so that **no one's authority** (emphasis mine—author) could impede control, revision and, if necessary, making persons answerable, without regard to their service position. This is the first premise advanced by Comrade Lenin, whom I consider to be fully correct." This is the principal, very important point that L.V. Krasin made and which G.Kh. Popov considered unnecessary to mention, once again, proceeding, obviously, from the same *idee-fixe*, the essence of which lies in the fact that he was very busy with the task of depicting Lenin as the founder of the Administrative System.

One asks oneself: for what purpose did G.Kh. Popov so lop off Lenin's ideas and make him a commonplace adherent of the administrative-command system, the true adherent of which, and its creator, was, of course, Stalin?

Let us turn to the text of G.Kh. Popov: "After all, it is becoming increasingly clear that the main thing in our restructuring is not simply altering the economic and political nature. It is a question of much more—the formation of a new, modern concept of socialism, corresponding to the realities of the end of the 20th century. How in the 21st century can there be an order based on public property? An evaluation of the system in which we live is necessary to work out this concept. This variant of socialism has been named the Administrative System."

The analysis put forth by G.Kh. Popov showed at least two points: 1) a model of the Administrative System cannot be used to create the modern concept of socialism. This cannot be argued with; 2) Lenin was the founder of the Administrative System, and therefore his concept cannot be used in the process of restructuring. The ideas of L.B. Krasin can be, and of Lenin—cannot be. I personally can in no way agree with this.

This is not only because the Party made restoring Lenin's ideas of paramount importance in restructuring. It is above all and mainly because we have not exhausted Lenin's ideas, and because we are in practice working on carrying them out. No one has as yet proved that this path is not the true one.



It goes without saying that our present-day concepts of paths and methods of economic activity are richer and more specific than they were at the beginning of the 1920's. Naturally, no one is about to reduce the creation of the modern concept of socialism to a simple restoration of Lenin's premises of over sixty years ago and to a mechanical cleaning away of misinterpretations from Leninism. The point is, undoubtedly, more complex.

It is increasingly necessary to seek and find efficient methods of solving the imminent problems, as well as to imitate the positive experience of others, of which Lenin simply could not know. He advised however, learn, learn and learn—from everyone: cooperatives, capitalists and "specialists." Even in this respect we are still taking the first significant steps.

When it occurred to me to respond to Professor Popov, there were good friends who said to me: listen, why must you do this? They said more: we are keeping our mouths shut, we are hindering pluralism. I thought a bit and decided: in the first place, I do not claim to decisive truth in my pronouncements, I am ready to listen to the answering criticism, but as a communist I feel it my duty to come out in behalf of Lenin and his ideas; in the second place, pluralism ultimately lies not in criticizing the positions of Lenin and the Party as much as one can and in any way one can, but in the fact that they must be defended no less freely and decisively.

## INVESTMENT, PRICES, BUDGET, FINANCE

### Role of Prices in Stabilizing Market, Economy Emphasized

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[Article by Doctor of Economic Sciences Yu. Yakobets, Moscow, under the rubric "Point of View—The Financial Revival of the Economy: 'Market, Choice'"]

[Text] *Much was said at the USSR Congress of People's Deputies on the danger of the negative trends that have been detected, unexpectedly for many, in the market, in finance and credit, and in monetary and pricing affairs. They exist and are swelling rapidly like a mountain stream, sweeping away everything in its path. What sort of trends are these?*

### A Crisis Situation

First of all, the sharply worsened shortages of goods that are encompassing an ever wider circle of goods and regions like a chain reaction, forcing a transition to trade with standards—a veiled form of rationing system—and increasing speculation.

Second, the disorder in the finance and credit system and the rapid increase in the budget deficit and state and foreign debt.

Third, the accelerating price increases (with the worsening quality of many goods) engendered by the wasteful management of the economy, the enormous excess of demand over supply, the monopolism of goods producers and the weakness of state regulation of price dynamics.

And finally, fourth, monetary circulation getting out of control and the rapid devaluation of paper, credit, investment and account money. In other words, inflation, about which we have been long and doggedly silent, has suddenly proven to be terrible and sweeping over reality in undulating fashion.

Our economy, in short, is gravely ill. What are the socio-economic consequences of this illness? And what lies ahead?

The differentiation of the real incomes of the population is becoming more and more obvious today: the standard of living of millions of retirees, students and workers receiving fixed incomes is dropping from year to year, while the segment of "entrepreneurial people" with large incomes disproportionate to the actual results of their labor is growing at the same time. The redistribution of incomes among enterprises, sectors and regions is not only being preserved, but is getting stronger...

Disproportions in the sphere of circulation are having a negative effect on production efficiency: enterprises and cooperatives see no sense in investing funds in production renewal or the development and assimilation of fundamentally new technology. Why? It causes a drop in profits right away, after all, while profits could be successfully increased by selling old or partially modernized output at high monopoly prices.

Cheap goods are quickly being "washed away." People are losing faith in the stability of financial and credit affairs and seek to materialize their monetary accumulations as quickly as possible in goods whose value increases with time. A speculative demand is arising that is increasing market tensions more and more...

All of this is leading to the undermining of economic reform and restructuring overall, along with a drop in confidence in it.

How can a turnaround in the economic development of the country be achieved in the very near future?

A long-term and effective strategy of surmounting the disorder in the sphere of circulation is needed, in my opinion. A multitude of hasty steps to fight the visible consequences is useless and even dangerous without the elimination of the fundamental causes, since illusions will just be created. Radical steps are needed to escape the crisis situation and revive the economy. Namely what sort of steps?

### Which Strategy to Select?

Two alternative paths are theoretically possible.

The first is to employ extreme measures to freeze prices and incomes, institute a rationing system in trade and the strictly allocated distribution of material resources for enterprises, and establish strict state monitoring of the utilization of funds by enterprises, monetary circulation and the economy of resources. Such steps, as experience has shown, can have a temporary impact, but...

That route would signify the rejection of restructuring and economic reform, a return to an administrative-bureaucratic system of economic management, disillusionment, a drop in the initiative of labor collectives and workers and, ultimately, a strengthening of disproportions and crisis tendencies.

This means that we must select the second path: move forward, not back. We must take a firm course of economic methods of surmounting the disorder in the sphere of circulation, of devising and consistently realizing a program that ensures the revival of not only finances, but the economy overall as well.

What are the principal milestones on this path?

The central strategic task consists of a **sharp structural restructuring of the economy for the purpose of its social re-orientation and the saturation of the market**. The most profound cause of the imbalances in the market should be sought in **deformations of the structure of reproduction** and hypertrophied growth in the production of capital goods to the detriment of the production of consumer goods and services.

The sources of these deformations were inherent in the fundamental reconsideration of economic policy at the end of the 1920s, when, together with the rejection of NEP, priority was assigned to the development of the heavy and defense industries, while the sectors that served to satisfy the needs of people were relegated to the background. Then the person himself, for the good of whom all of the revolutionary transformations had transpired, was transformed into one of the means, into an "animate tool" for the achievement of ambitious goals.

One can, of course, justify such a sharp change in priorities with the need to industrialize the country and reinforce its defensive capabilities. But was that really facilitated by a drop of 18 percent in gross agricultural output in 1929-33? Was that really helped by a decline in the production of foodstuffs? Was the country's economy strengthened by raising the level of retail prices by 6.4 times in 1929-40 along with the enormous issue of money? Did we begin to live better by losing millions of working hands (and moreover the most work-loving and skilled of them) as the result of the "de-peasantification" of the village, the hunger and the monstrous Stalinist repressions?

The war strengthened these disproportions, and they were preserved during the postwar period despite the efforts made. The share of consumer items in industrial output declined from 60.5 percent in 1928 to 39 percent

in 1940, and from 27.5 percent in 1960 to 24.9 percent in 1987. The overwhelming portion of centralized capital investments and the most skilled personnel were directed to the heavy and defense industries. Transport, material and technical supply, foreign trade and the sphere of management all operated primarily to support these sectors.

As the result of this policy, theoretically buttressed with references to the "law" of the preferential growth of production of capital goods, a deformed and unnatural structure of reproduction took shape in which the goods were turned into an end in themselves. This can be judged from a comparison of some data describing the economy of the United States and the USSR.

The production of national income in the USSR was 64 percent of the United States level in 1986—with industrial production at 80 percent and agricultural production at 90 percent—while the per-capita consumption of material goods and services was just 30 percent (42 percent in 1965). We are at half the United States level in meat consumption, 2.7 times behind in television supply, over 10 times in passenger cars and hundreds or thousands of times in consumer electronics. The share of fixed productive assets in the structure of national wealth is 32.2 percent, and housing 24 percent, in the United States, while in the USSR they are 43.6 and 12 percent respectively.

This means that the shortages in the consumer market arose first and foremost because the share of goods and paid services in our structure of production here is too low. How can we rectify the situation?

#### Reserves for Saturating the Market

It is necessary first of all to adopt a policy as soon as possible of an **absolute reduction of production and capital investment in the extraction, fuels and raw-materials sectors** so as to direct the resources freed up to the production of consumer goods and services. This sounds like blasphemy: how can that be, encroaching on the accustomed priorities? Yes, but there is no other way.

Look at the numbers. The USSR surpasses the United States by 50 percent in the production of petroleum and 43 percent in the production of gas. Coal production comprises 68 percent (figured in standard fuel units), and the production of electric power 61 percent, of the United States levels. We extract 7.1 times more iron ore from the earth, pour 2.6 times more cast iron and double the steel and produce 1.7 times more cement—and 5.6 times less synthetic resins and plastics—than the United States. We produce 1.8 times more mineral fertilizers and 6.4 times more tractors, while labor productivity in agriculture is less than 20 percent of the United States level.

The consumption of the principal types of raw materials, fuels, materials and products of the extraction industries per unit of national income is several times higher in the USSR than in the United States (wherein the gap has

widened considerably over recent decades). This means that the shortage of material resources is a myth! In reality we extract and produce much more of them than we need! But how do we consume them?

The time has come for a decisive turn toward resource-conserving types of production, toward the replacement of primary raw materials with secondary ones, toward reductions in petroleum exports. We should also raise sharply the share of group B in capital investments in industry (it is now just 4.1 percent versus 32.4 for group A).

A second major reserve for saturating the market is the **conversion of military production**. This process has already begun, and favorable foreign political preconditions for it are being created. But we must have a well-defined program for the utilization of the scientific, production and personnel potential freed up as the result of conversion in order to increase many times over the production of modern consumer technology and highly efficient machinery and equipment for the light and food industries.

Population demand is gravitating more and more toward the sphere of consumer durables, especially in domestic technology, to the extent of rises in income levels. A real revolution has occurred in the last decade in this realm in the developed countries of the world: the number of video recorders and video cameras, household microwave ovens, personal computers, fax machines and the like is reaching the millions. The production volume of personal computers increased by 20 times in the United States over 5 years (1980-84) and reached 5 million units a year. The production of video cassettes increased by 12.7 times over the same period and reached 65.4 million in 1986. The production of video recorders in Japan has reached the thirty-million level.

The example of China is instructive: over 7 years (1981-87), the production of television sets there increased by 7.8 times, refrigerators by 81.2 times and cameras by 6.2 times, while we unfortunately barely trudge along as before... As a result China, which had lagged behind the USSR by many times in the production of the most important types of consumer technology, has overcome the lag and passed our country in some of them. And the technical level of Chinese consumer technology, unlike ours, is high as well (it is most often produced under Japanese licensing).

The capacity freed up in the defense sectors should, in my opinion, be re-oriented toward the large-scale production of new generations of consumer electronics—video equipment, personal computers, microwave ovens and the like. But a comprehensive approach and the cooperation of enterprises in different sectors is needed herein.

The video equipment program, for example, should envisage not only an increase in the production of video recorders and video tape players to 2-3 million a year, but also the output of video cameras and optical disks

and the manufacture, circulation and organization of video film rentals with the recording of the masterpieces of domestic and foreign filmmaking. Preliminary calculations show that the sales volume of goods and services could total 5-7 billion rubles a year in this program alone.

A third most important reserve for saturating the market is the **mass construction and furnishing of housing and dachas through the funds of the public**. The participation of citizens in reimbursing funds for housing construction is extremely insufficient today: out of a total of 2.265 million apartments constructed in 1987, only 259,000 (11.4 percent) were built at the expense of the population or with the aid of credit, and 155,000 (6.8 percent) at the expense of the funds of housing-construction cooperatives. State subsidies for the upkeep of housing stock totaled 10.4 billion rubles.

The redeployment of a considerable portion of material resources and construction capacity from industrial, land-reclamation and military construction to erecting new homes and dachas and expanding the participation of enterprises in all sectors and cooperatives in this matter along with furnishing apartments and dachas with sets of furniture and kitchen appliances on order will make it possible to increase the sale of building products and materials and goods and services to the population a minimum of 12-15 billion rubles in the future.

A considerable **increase in the production of new generations of passenger cars, bicycles and mopeds, motorcycles, hang-gliders** and the like, spare parts for them and the construction of repair and service stations could make a material contribution to saturating the market. This, combined with an expansion of domestic and foreign tourism, which is very poorly developed (just 920,000 tourists went abroad in 1987, including 63,000 to the developed capitalist countries), could provide additional coverage of more than ten billion rubles for effective demand.

**Foreign economic ties should be utilized to a greater extent** to saturate the domestic market. Why not go in for major projects that envisage the participation of leading foreign firms in the construction, outfitting and operation of enterprises for the production of consumer electronics?

Whence, from what purse, do we get the currency for these projects? Not from increasing exports of petroleum and other types of mineral resources—the relatively depleted reserves of them do not permit this. World prices for them have dropped considerably anyway. It is also time to turn to the person in foreign economic ties: we must get to work on foreign tourism (just 2.1 million foreign tourists visited our country in 1987, including just over a million from the developed capitalist countries, while, by way of example, 53 million went to Spain, bringing in 17 billion dollars of income). We could also export copies of the masterpieces of domestic and world

culture more widely—video cassettes, optical disks, holograms—and sell well-composed albums etc. And how much currency could be earned in rendering the maximum services to transit passengers from Japan and South Korea who are traveling, flying or sailing through the USSR and back!

In order to overcome inflation and saturate the market, in other words, it is necessary to increase the supply of high-quality goods and services. Opportunities for this exist, and we must only make much more active use of them.

### How to Revive Finance?

In speaking of the necessity of saturating the consumer market, it should not be forgotten that this cannot be done if we ignore a most acute problem—**reviving the financial, credit and monetary affairs of the country.** A most important task of the day is to resolve it and bring it into strict accordance with the incomes of the population, enterprises and cooperatives.

Unearned, "empty" money, behind which the flow of real goods and services cannot be seen, creates a false appearance of a rise in prosperity and leads to the devaluation of the ruble. Incentives for more productive labor are ultimately weakened: why strain yourself if money is worth less and less and you can hardly buy anything for it? It is not only the paper money that we receive during the workday that is devalued, but also the non-cash types—account, investment and credit money.

World practices show that the surest method of regulating incomes is a **system of progressive taxation.** A progressive tax, without reducing the desire to increase incomes, makes it possible at the same time to distribute them intelligently without permitting the excessive enrichment of an individual worker or collective. An advantage of the tax is that it is known in advance, is the same for all and does not permit administrative interference in the financial matters of the taxpayer.

A system of progressive taxation is now being formulated for the population and cooperatives. There is no doubt that it will also be extended to state enterprises, replacing the multitude of ineffective fiscal payments (payments to funds, deductions from profits and the like). But the most important thing herein is to find the optimal degree of progression which, on the one hand, would ensure the income into the budget of a significant share of super-profits and super-incomes, but on the other hand would not smother or curtail initiative or cut it off at the root: it is stupid to kill the goose that lays the golden eggs! It is also no less important to devise a clear-cut and purposeful system of tax discounts and privileges.

Such controls for limiting the growth of the wage fund at state enterprises as **standard ratios of productivity growth to wages** have now been rehabilitated. How well-founded and effective are they?

An attempt is essentially being made to link two indicators that are not comparable. The overwhelming portion of wages, after all, is paid for the production of capital goods, which are not received in exchange for wages. Past labor is moreover taken into account as well in many sectors in determining labor productivity. The collective is punished for making the products cheaper—the wage fund is reduced, while making them more expensive ("washing out" the cheaper product lines) leads to increases in profits. The use of a standard ratio thus does not achieve the goal and leads to undesirable consequences.

If we are to employ a limitation (in addition to the progressive taxation or for a period until it gains force), then it could be **the indicator of consumer goods and services (in retail prices) per ruble of wages (including bonuses and other supplements).** This indicator, which can be employed by any enterprise, region or ministry, directly links monetary income with the sources for covering it.

Such indicators will inevitably differ by enterprises, sectors and regions, but they have mobilizing power and stimulate increases in the production of goods and services. But a number of issues must be resolved in creating them: how to determine the ratio for producers of end products and the suppliers of constituent parts, semi-manufactures and materials (and can it proceed herein from the share of added value)? How to weaken the vested interest in making goods and services more expensive and strengthen incentives for making them cost less?

And more. It is not sufficiently well-founded to redistribute monetary income received in order to overcome inflation: it is essential to decrease the magnitude of it in a number of sectors for the sake of reducing the budget deficit and state debt, which have reached a scale that is dangerous for all the financial affairs of the country.

The Keynesian principle of **deficit spending**, which has been widely utilized abroad since the 1930s and has been considered unacceptable for a socialist economy, is now being widely employed in practice. Even without the help of a printing press, enormous capital investments in "projects of the century," military spending that cannot be borne by the economy or credit issued without solid collateral all increase with a single stroke of the pen the funds that are not backed up by real material values. A considerable portion of these unjustified expenditures ultimately goes for wages, forcing an increase in the rate of monetary issuance.

A few figures as confirmation. From 1970 through 1985, national income utilized (in current prices) increased by 290 billion rubles (doubled) while the working capital of enterprises grew by 414 million (tripled) and bank loan balances went up by 395 billion (4.1 times). The income of the state budget over that period grew by 234 billion rubles (2.5 times), and its ratio to national income utilized went from 55 percent in 1970 to 74 percent in

1987. Over 40 percent of state capital investment was financed through bank credit. But credit also often acts as a form of subsidy (especially in agriculture): it is written off or deferred without payment of interest. The long-term indebtedness of kolkhozes and sovkhozes totaled 61 billion rubles by the end of 1987 (5.6 times more than in 1970). The overall indebtedness of agriculture (87 billion rubles) exceeds the foreign debt of Mexico (if we convert rubles to dollars at the official exchange rate).

Draconian measures are truly needed to **reduce state spending and the budget deficit**. Which ones?

A reduction of 2-3 times in centrally financed capital investment, further reductions in military spending (which will total 77.3 billion rubles in 1989) to the extent of the creation of foreign conditions for it, a halt to subsidies for a number of unprofitable enterprises, reductions in housing subsidies through the sale of some apartments to the public and the complete reimbursement of state spending on space beyond the standard level, further reductions in spending on the upkeep of the administrative and management apparatus—all of this could be good medicine for a sick budget. We will hope that the newly elected USSR Supreme Soviet will establish stricter monitoring of the spending of state funds.

**Credit policy** also awaits real changes. We must raise the economic responsibility of banks for the well-foundedness of issuing credit and its timely return, and be oriented to a greater extent to financing the assimilation of fundamentally new technology and the technical modernization of production, the development of consumer goods and services and the active participation of banks as interested partners in domestic and international consortia created for that purpose.

The growth rate of **foreign debt** must also be moderated, and projects that entail major expenditures without hope of their rapid foreign-currency recoupment must be rejected, instead expanding collaboration in those spheres that guarantee a quick return of credit and the accumulation of currency reserves.

### **The Achilles' Heel of Reform**

Relations between goods and money and between supply and demand are regulated by **prices**. We can judge the rate of inflation first and foremost through price dynamics. Spending is recouped and income realized with the aid of prices, and the size of enterprise profits and the real income of the population depend on them. The accelerated growth of prices thus looks like the Achilles' heel of our economic reform. The rays of all socio-political contradictions are focused in it like a lens.

Mutually exclusive points of view have been clearly delineated in the approach to solving the problem of prices.

According to one of them, we should raise wholesale, procurement and retail prices considerably so as to

create thereby conditions for full economic accountability and self-financing for enterprises and eliminate subsidies for the production of many types of products, while the losses of the population will be compensated for via increasing their monetary incomes. According to another viewpoint, it follows that the unprofitability of many enterprises and the subsidization of many types of products are caused by poor production efficiency and losses from mismanagement; the funds for self-financing must be earned, while any compensation for the losses of the population from price rises cannot be complete or fair for every family (due to differences in consumption patterns) and will not reduce the gap between the money supply and its coverage with goods. There is sense in this position. It is obvious, however, that the preservation of a twisted system of prices in a frozen form is without promise.

Some are demanding the complete abolition of administrative monitoring of prices, the emancipation of the mechanism of retail price formation, suggesting that only thus can equilibrium in the market be ensured. Others are calling for bridling prices via a strengthening of state monitoring over setting them and changes and reductions in the rights of enterprises and cooperatives for price formation.

I would like first and foremost to caution against exaggerating and absolutizing the role of prices. They serve just as a **mirror and indicator** of the state of the economy and its health: we must try to treat the disease, not to invent a thermometer that would indicate a temperature comforting to all! Price is moreover just one (and far from the leading) element in an integral mechanism of economic operation: efforts to stabilize and reduce prices will prove useless if the plan targets (albeit in the form of state orders) and the incentives linked with them impel collectives to make products more expensive.

In order to overcome inflationary price growth, we must eliminate the cause of it, and not fight the consequences unsuccessfully. But how?

First of all, **via the restoration of the profoundly disrupted equilibrium in the market**. Not via raising the prices of goods and services to a level where they can only be bought by certain collectives and individuals with very high incomes (although this route is not ruled out for certain very scarce goods), but rather first and foremost on the basis of resource conservation, a sharp increase in deliveries to the market of goods and services that enjoy demand, the economic regulation of income and the revival of financial, credit and monetary affairs, as was discussed above.

Second, **with the aid of decisive steps to surmount monopolism and develop competition among producers of goods and services**. This could be furthered by anti-monopolistic legislation, the deconcentration of production (including breaking up some gigantic enterprises and associations where it would be expedient) and, mainly, ensuring the leading role of the consumer and

protecting him with the aid of economic and legal measures. (Competition also has its drawbacks, of course, but they are a lesser evil compared to the tendencies toward stagnation in technology and the unfounded increases in price of products that are engendered by monopolism.)

Third, a **reconsideration** (and not in the privacy of offices, but with glasnost!) of the **foundations and principles of the impending price reform**. We cannot get by without it, it seems—too many imbalances have now accumulated in the pricing system over the decades.

The planned major rise in wholesale prices for the products of the fuel and raw-materials sectors, giving a green light to their further extensive development and provoking a chain reaction of price increases at all levels of the national economy right up to retail prices and tariffs, however, is hardly well-founded. Price should not become a "good fairy" for the economically accountable producer under the new conditions, compensating him for any expenditures and guaranteeing him maximum profits. It should on the contrary play the harsh and sometimes even cruel role of a predatory "shark" that swims in commercial waters so that the economic "minnow" does not get lazy.

In eliminating imbalances in prices, we must be concerned with reducing the chain reaction of price hikes (the engine of the inflationary spiral) to a minimum and strengthening the effect of prices on the efficiency of production, the economy of resources and the assimilation of fundamentally new technology.

Fourth, we cannot reduce the problem to a one-time reconsideration of all types of prices. A **flexible mechanism of price formation must be introduced** that would take into account in timely fashion the rapidly changing conditions of the production and sale of goods and services and would make one-time major price reforms unnecessary. The practice of employing contract and temporary prices with the timely reconsideration of individual price scales and the use of parametric methods of price formation—of course with a normalization of the market situation and palpable limitations on monopolism—seems promising on that plane.

But it should be clearly understood that attempts to revert to the spontaneous market-price formation characteristic of capitalism of the last century are utopian. Even in the developed capitalist countries the state pursues a subtle and flexible policy of influencing prices with the aim of weakening their inflationary growth. This policy, as the experience of West Germany, Japan and the United States shows, does provide results. We must take a sober look at the state of affairs: to reject state influence on the levels, correlations and dynamics of prices entirely would signify handing the consumer over entirely to the power of the monopolized producer and giving even freer rein to the restive steed of inflation. The economic and socio-political consequences of that would clearly be exceedingly grievous...

The methods of that state influence on the levels, correlations and dynamics of prices are another matter. They should be primarily economic rather than administrative, so that it would be disadvantageous to inflate prices and, on the contrary, advantageous to reduce them. Gross measures—commodity output and the like, which impel the enterprises to make their products more expensive as before—must be eliminated for this.

Devising a **mechanism for making products cheaper** should be made an important element of economic reform. At its foundation lies delineating different incomes obtained from the utilization of more efficient equipment, resource conservation and skilled management so as to make it (income) a source for expanding production, stimulating workers and reducing prices for the sake of increasing the sale of a maximum of goods and obtaining larger profits. The "artificial feeding" of goods producers putting out poor-quality products at high cost and using backward technology must be ruled out at the same time.

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These approaches possibly contradict many established theoretical dogmas. All right then, they must evidently be surmounted... And it is time for us to be engaged in researching the market and the laws and mechanisms of its functioning, studying inflation, developing methods of regulating income and the like more thoroughly. The field for bold inquiry, in short, is large. It is important to know how to sow it competently and in good time so as to reap a rich harvest.

**Changes in 1929-1985 Wholesale Prices Analyzed**  
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[Article by G.I. Khanin, Kyzyl: "Determination of the Dynamic Behavior of Wholesale Prices in the Soviet Economy Over the Period 1929-1985"; submitted 4 December 1987]

[Text] Calculation of the dynamic behavior of wholesale prices<sup>1</sup> has great theoretical and practical importance for a socialist economy. Development of scientific foundations for the setting of prices presupposes a thorough study of wholesale price trends and factors in their change over a lengthy time interval and of relations between the dynamic behavior of these prices from sector to sector of the economy and from one commodity group to another (capital goods, intermediate goods, consumer goods). The forecasting and the planning of wholesale prices must take into account their long-term change and its peculiarities in the various stages of economic development.

Calculation of the movement of these prices makes it possible to define considerably more precisely the character of the dynamic behavior of proportions in reproduction. For instance, in the Soviet economy (for reasons

we will speak about below) the indicators of the volume and structure of the gross social product in constant prices make it possible to take the change of prices into account only very incompletely. It is extremely difficult, then, to obtain the correct idea of the real dynamic behavior of the gross social product and its structure on the basis of those data. For that purpose, one needs to have wholesale price indices for the entire output of the national economy and for individual commodity groups.

When we know price indices for capital goods and the distribution of fixed productive capital (OPF) relative to the time when it was put into service, we can find the replacement value of OPF for any period of time, which, together with more accurate determination of the growth rates of production, makes it possible to compute a reliable indicator of the level and dynamic behavior of the output-capital ratio and the profitability of the national economy.

The existence of a sound index of wholesale prices for individual sectors and branches affords the possibility of estimating the performance of individual branches and ministries more accurately. Figures on the growth of output in constant prices and the balance-sheet value of OPF are at present the basis for such estimates. Those branches and ministries for which it is difficult to express such information because of the character of the product they produce end up here in the worst situation (the extractive industry, branches of the manufacturing industry with a limited and slow-changing products list, rail transportation), and branches where it is comparatively easy to allow that kind of distortion because of the specific nature of production end up in the best position (machinebuilding, construction, and highway transportation). The incorrect estimation of performance of the individual branches and ministries leads, of course, to unwarranted priorities in distribution of resources among them.

The present statistical treatment of wholesale prices is to calculate their indices, as a rule since 1940, for industry as a whole, for agriculture, and for individual branches. The index of shipping rates and estimate prices in construction is also determined. But these indices register only changes in list prices and do not take into account the movement of prices because of the emergence of new products, nor the temporary and one-time prices that are not indicated in price lists. So, they correctly reflect changes of wholesale prices for products that are sufficiently homogeneous, but in a number of branches, in machinebuilding, for example, as much as 50 percent of the entire products list is renewed during the 5-year planning period, and in the intervals between large-scale price revisions almost the entire products list is renewed. In that situation, temporary, one-time, and other prices that are not closely monitored (by contrast with list prices) remain in effect on new products for a long time as a rule. Because of higher initial costs their level is set high compared to the analogous product being sold at list prices. Nevertheless, this fact has no effect whatsoever on price indices in machinebuilding (in the

intervals between their revisions). An analogous situation has taken shape in a number of branches of the manufacturing industry as well.

To be fair, we should note that determination of the wholesale price index of products of the manufacturing industry involves real difficulties that arise because of the centralized setting of prices. In a market mechanism, prices change relatively uniformly both from branch to branch and also from product group to group, including both old and new products, since the factors in their change on the production side (the cost of materials and manpower, depreciation rates, interest rates, and so on) also have a relatively uniform impact on costs. When the setting of prices is centralized, the conditions of production have a differing effect on prices of products in a stable as compared to a dynamic product mix. They affect the former only through profitability, since the level of prices is fixed all the way up to their next revision. Prices of products in the latter group are directly related to current costs, since it is they that are included in the formal planning calculations submitted to pricing authorities. Thus, it is a more complicated problem to find the index of wholesale prices when they are set centrally than in a market economy in which a method of calculating them has been devised.

What we have said applies not only to the manufacturing industry, but also to construction, which produces mostly a nonhomogeneous and constantly renewed product, the costs of which moreover depend on locality, the terrain, and so on.

Highway freight rates are a special case. Their level is straightforwardly fixed in price lists, and outright distortions are exceptional here. However, as is well-known from numerous checks of trucking enterprises, padding the figures on the volume of operations is widespread here, just as it is in construction.

There are differing opinions on the possibilities of overcoming these shortcomings in the methodology of computing wholesale price indices. Some economists suppose that they can be eliminated with relative ease by statistical authorities themselves if they refine their present methodology. Others (the author among them) feel that use of the traditional methodology of calculating wholesale price indices when they are set centrally is a far more complicated problem than it appears at first glance. It appears that its solution should be sought in the direction of indirect determination of the index.

Since the hidden (that is, not recorded by statistical authorities) rise of prices results in an overstatement of growth rates of the output of branches and of the gross social product as a whole, it is natural to try to calculate the size of this growth by means of the relation between estimates of the dynamic rate of production computed with and without taking the hidden movement of prices into account. In other words, we need to try to find in the statistics points of support which would make it possible

to determine these indicators without resorting to current prices or using them to a minimal degree. Estimates obtained on this basis we refer to as alternative estimates, by contrast with conventional estimates. Comparison of the two makes it possible to calculate the rise of prices not taken into account by statistical authorities. To be sure, the real level of the growth rate of production can be distorted not only by the hidden rise of wholesale prices, but also by certain other factors, for example, an artificial increase in double counting, specifically resulting from organizational changes (the breakup of enterprises). But these factors are hardly very essential, especially since they are counteracted by the consolidation of enterprises that is regularly taking place. Still, in evaluating the estimates of the size of the hidden growth of wholesale prices obtained from the calculation we should bear in mind that it is possibly exaggerated somewhat because of this factor. The estimate obtained, then, is as a rule the maximum and should be revised downward on the basis of other economic indicators.

The following general principles were the points of departure in determining the alternative estimates of economic characteristics.

1. Statistical data relatively free of the influence of distortions of economic information were taken. These are above all physical volumes of production or utilization of resources, as well as certain value indicators, for example, the production cost of a comparable commodity output (with a production time less than 3 years and also in intervals between large-scale revisions of wholesale prices).

2. Several alternative estimates of economic indicators are calculated on the basis of more or less reliable economic information, since every estimate has shortcomings. The proximity of the results obtained by means of each of them in particular (that proximity was actually observed in the overwhelming majority of cases) can serve as a confirmation of the soundness of the alternative estimates.

3. The arithmetic average of the alternative estimates calculated was taken as the final estimate, since a priori it is impossible to determine the preferability of any one of them.

We can cite as an example six methods of computing alternative estimates of the dynamic behavior of industrial output<sup>2</sup> using the following: 1) a selection of physical indicators weighted for labor intensiveness; 2) the correlation between the change in the production cost of the commodity output being compared and the productivity of labor (starting from the assumption that the relationship between the growth of the average wage and labor productivity is the sole factor in the change of the production cost); 3) the dynamic behavior of the consumption of raw materials and supplies (excluding components); 4) the relation between the change of electric power consumption per worker and the level of labor productivity in U.S. industry; 5) the level of fulfillment

of planning targets for the volume of output in physical terms; 6) the change of the relation between the cost of products for export and export proceeds (in constant world prices).

The alternative estimates of the dynamic behavior of the output of construction and highway freight transportation were determined by three methods, and in the trade sector, the food service industry, material and technical supply and other branches of material production—by one. Three methods were also used in calculating the macroeconomic estimates of the dynamic behavior of the gross social product and the national income. In calculating them, we used the final estimates obtained earlier of the dynamic behavior of the output of industry, construction, highway freight transportation, the trade sector, the food service industry, supply and sales, procurements, as well as conventional estimates of the dynamic behavior of the output of those branches of material production which do not experience or experience little influence of the hidden growth of wholesale prices and other factors distorting economic information (for example, agriculture and rail transportation).

The alternative estimates obtained were as a rule close to one another, which serves as an additional confirmation of their soundness. As an example (see Table 1) of the closeness of the various alternative estimates, we will give their relative values for the industrial sector over the period 1956-1975 (the size of output growth obtained with Method 1 was taken as unity; in certain cases, the calculations were made by only some of the methods because of the absence of economic information).

Table 1

Methods	Years	
	1956-1965	1966-1975
1	—	0.93
3	0.8	0.97
4	0.87	1.0
5	1.1	0.97
6	—	0.93

Close values were obtained for the individual alternative estimates for other sectors of the economy as well and also for the gross social product and national income.

The author used certain of the alternative estimates to calculate the dynamic behavior of industrial output, the national income, and the gross social product over the period 1928-1975, and for all sectors and branches in which there is distortion of economic method, by the six methods for the period 1956-1975 (broken down by the actual 5-year planning periods). Calculations were also made over the period 1956-1975 for certain branches of industry. Since some estimates yielded results that were regularly close, the author considered it possible to use one or two alternative estimates to analyze the dynamic behavior of output over the period 1976-1980.



The general scheme for calculating the wholesale price index for the national economy as a whole and certain of its sectors and branches is represented as follows. First, the growth rate of production is determined for the object of investigation in current wholesale prices and then in constant prices (with the alternative estimates). The wholesale price index is found by dividing the former by the latter. For the entire national economy and for individual sectors and branches of it that are dubious from the standpoint of the reliability of traditional estimates, the index breaks down as follows: 1) the conventional index, which mainly reflects the change of list prices regardless of whether the price index proper is computed in the respective years or is calculated by dividing output indices in current and constant prices); 2) the index that results from determining the alternative estimates of the dynamic rate of output and which contains the hidden growth of wholesale prices.

Beginning in 1960, statistical publications contain data on the size of the gross social product and the output of the most important sectors and branches in current prices, as well as data on the growth rates of production in constant prices. With the rates calculated from the alternative estimates in hand, it is possible to determine the overall wholesale price index and to determine the hidden growth of wholesale prices it contains.

It should be noted, however, that the size of the social product and the size of industrial output in current prices are published in prices of final consumption and therefore include the turnover tax. The turnover tax has to be excluded to obtain the wholesale price index from these figures.

For the period from the thirties through the fifties, direct data on the size of the gross social product and the outputs of various sectors of the economy in current prices were not published. This, of course, makes it more complicated to calculate wholesale price indices. However, there are enough data in statistical publications and scientific literature to reconstruct the size of the gross social product and the output of the sectors of the economy in current prices with an accuracy sufficient for economic calculations.

Since the author did the calculations for the periods 1929-1955 and 1976-1985 with summarized economic indicators, and for the period 1956-1975 the calculations were more detailed and included the alternative estimates of growth rates of production of the most important branches of industry, the wholesale price indices were also determined with a differing degree of detail: a higher degree for the period 1956-1975 and a lower degree for the periods 1929-1955 and 1976-1985.

The following intervals were singled out: 1929-1940, 1941-1950, 1951-1960, and 1961-1985. They represent qualitatively distinct periods in the USSR's economic development: construction of the industrial base, economic recovery following the Great Patriotic War, the extremely rapid economic development in the period 1951-1960, and the dropping rates of economic growth in the period 1961-1985. Wherever the initial data allowed, wholesale price indices were also calculated for a shorter time, for example, by 5-year planning periods over the period 1950-1985.

The size of the gross social product in current prices (without the turnover tax) is shown for the period 1929-1955 in Table 2.

Table 2

Indicators	Years			
	1928	1940	1950	1955
Volume of the national income produced, in current prices, billions of rubles	26.4	380.0	740.0	985.0
Share of the national income in the gross social product in current prices, percentage	47.8	57.0	53.7	50.6
Volume of the gross social product in current prices, billions of rubles*	55.0 (37.9)	666.0	1370.0	1970.0
Amount of the turnover tax, billions of rubles	2.5	105.9	236.1	242.5
Size of the gross social product in current prices without the turnover tax, billions of rubles	35.4	560.0	1134.0	1728.0
Growth rates of the gross social product in current prices without the turnover tax (relative to the previous period)	—	16.0	2.02	1.52

\* The size of the gross social product for 1928 was adjusted downward by 17.1 billion rubles because in subsequent years the volume of industrial output was computed not relative to gross turnover, as in 1928, but relative to gross output, which in 1928 was 9.34 billion rubles, while gross turnover was 26.4 billion rubles. The volume of the national income produced in current prices for 1928, 1950, and 1965 was calculated as indicated in [3, p 96]; the volume of the national income produced for 1940 was calculated from data on the volume of military expenditures in the USSR State Budget for 1940 in the amount of 57 billion rubles and the share of military expenditures in the national income in 1940 (15 percent) [4, p 13]; figures on the share of the national income produced in the gross social product in current prices are given in [5, pp 49, 51]; and figures on the amount of the turnover tax in [6, pp 111, 236, 377].

Wholesale price indices for the entire economy over the period 1929-1955 were calculated in accordance with

the method described. The results are presented in Table 3.

Table 3

Indicators	Years		
	1929-1940	1941-1950	1951-1955
Wholesale price index	9.1	1.68	1.00
Including:			
—Conventional estimate	3.0	1.26	0.91
—Change of wholesale prices not taken into account*	3.03	1.33	1.1

\* Obtained by dividing the total index of wholesale prices by the conventional estimate.

On the whole, the period analyzed was characterized by an extremely rapid rise of wholesale prices (mainly in the period 1929-1950); their level rose 15.3-fold between 1928 and 1955. The main reasons for this situation were as follows (in order of importance): the rise in the average wage significantly exceeded the growth of the productivity of social labor (it increased from 51 rubles in 1928 to 642 rubles in 1950, i.e., 12-fold), the rise in the materials intensiveness of the economy's output (approximately 1.2-1.25-fold), and the drop in the output-capital ratio (almost 25 percent). The rise in the production cost of output brought about an increase in wholesale prices in spite of the opposition of economic authorities. Wholesale prices of products of the extractive industry and the old product assortment of the manufacturing industry and also procurement prices and shipping rates were not raised over a lengthy period of time. To some degree, this checked the general rise of wholesale prices, but it could not, of course, stop it: production costs have a strong impact on the level of wholesale prices of a range of products in the economy which are not subject to strict control. The weakening of cost accounting (*khozyaystvennyy raschet*) because a number of branches were operating at a loss ultimately forced economic authorities to raise wholesale prices and procurement prices for those sectors substantially. Wholesale price reforms in turn gave a thrust to a further growth of their general level.

The experience of economic development over the period 1929-1950 showed how limited the capabilities of economic authorities were in regulating wholesale prices directly, without influencing the factors that govern their movement. It is in fact the latter that have had the decisive power to determine the dynamic behavior of wholesale prices.

The fastest rise of prices—9.1-fold—occurred in the period 1929-1940, when the average annual increase was 20.2 percent. In that period, economic authorities were still mastering the methods of regulating the factors that have an impact on the level of wholesale prices, in particular the average wage—as the most essential

factor. It (in the new price scale) increased from 51 rubles in 1928 to 331 rubles in 1940, which is a 6.5-fold growth [7, p 407].

Later, economic authorities controlled the change in the level of wholesale prices much better. In the period 1941-1950, in spite of the abrupt shift in national economic proportions during the war, which favored a rise of prices, the overall wholesale price level increased only 1.68-fold at an average annual growth rate of 5.3 percent, i.e., the growth in the previous period was 3.8-fold greater.

Economic authorities learned to exert a more effective influence on the average wage, which rose considerably slower than in the previous period: from 331 rubles in 1940 to 642 rubles in 1950, and the major portion of that growth occurred during the war.

There was a qualitative turnabout in the dynamic behavior of wholesale prices in the period 1951-1955. It was in that period that stabilization of their level was achieved for the first time over a lengthy period. This should be recognized as a major success of economic authorities and evidence of their growing ability to control the dynamic behavior of wholesale prices.<sup>3</sup> The stabilization resulted above all from the sharp improvement in the efficiency of social production. For the first time since 5-year plans began to be carried out, an improvement was achieved in all indicators of social production: the growth rates of labor productivity rose sharply, there was an appreciable increase in the output-capital ratio, the materials intensiveness of output decreased, the rate of turnover of working capital increased, while the average wage rose negligibly: from 642 rubles to 718 rubles, i.e., by only 11 percent.

The relation between the recorded and unrecorded changes in wholesale prices was formed differently from subperiod to subperiod within the interval being analyzed. The ability of economic authorities to regulate factors in the change of wholesale prices had a decisive influence on it. Over the period 1929-1940, when this ability was minimal, the unrecorded rise of wholesale

prices was very large (the wholesale price index rose threefold on this basis) and amounted to one-half of their total growth. Over the period 1941-1950, economic authorities were more active in this regard, which tended to slow down the unrecorded growth of wholesale prices (the wholesale price index rose only 1.33-fold, i.e., a fraction of the increase in a previous period of similar length). Still, in the period 1941-1950, the growth of prices was still decisively influenced by their hidden dynamic behavior.

The greatest success was achieved in this sphere in the 5th FYP. The unrecorded rise of wholesale prices continued and resulted in a stable level of the overall

wholesale price index in spite of the reduction (by 8 percent) of the fixed index. But the growth of the total index resulting from the unrecorded growth of wholesale prices in that period, by contrast with previous periods, was considerably smaller—8 percent, for an annual average of 1.5 percent.

The index of the size of the gross social product in current prices (not including the turnover tax) was calculated in order to determine wholesale price indices for the national economy over the period 1956-1985. The results are shown in Table 4 in billions of rubles in the new price scale.

Table 4

Indicators	Years						
	1955	1960	1965	1970	1975	1980	1985
Gross social product in prices including the turnover tax*	197.0	394.0	420.0	644.0	862.0	1072.0	1426.0
Turnover tax**	24.2	31.3	38.7	49.4	66.6	94.1	97.7
Gross social product without the turnover tax	172.8	272.7	381.3	594.6	795.4	977.9	1328.3
Growth rate of the gross social product without the turnover tax (for the various periods)	—	1.58	1.40	1.56	1.34	1.23	1.35

\* The size of the gross social product in current prices including the turnover tax was calculated for the period 1960-1980 as described in [8, p 59; 9, p 122].

\*\* The amount of the turnover tax was calculated for the period 1960-1980 according to [9, p 622; 10, p 730].

On the basis of that table and the alternative and conventional indices of the gross social product, a wholesale price index was obtained for the entire national economy over the period 1955-1980 (see Table 5). The rise of wholesale prices continued in that period (by a total of 146 percent). Although even this is rather large, it is still essentially less

than in the previous period of similar length when wholesale prices increased 15.5-fold. It is appropriate to mention that whereas that growth in the previous interval had been larger, in the period 1956-1985 it was considerably smaller than in the advanced capitalist countries (the United States, England, France).

Table 5

Indicators	Years					
	1956-1960	1961-1965	1966-1970	1971-1975	1976-1980	1981-1985
Wholesale price index	113	111.5	125	112	114	125
Including:						
—By virtue of recorded changes	104	103	110	100	99	114
—By virtue of unrecorded changes	109	108	113.5	112	115	110

The slowing down of the rise of wholesale prices and their weaker growth than in the advanced capitalist countries are indicative of the growing ability of economic authorities to control the change of the overall price level. This fact, however, must not be a pretext for exaggerating the success, since prices still continued to rise, and the growth was not so negligible. What is more, the stability of wholesale prices achieved in the 1st half of the fifties was replaced by their increase even in the 6th FYP, at first by an increase that was actually small (approximately 1 percent per year in the 6th FYP), and

then by a very sizable increase, especially in the 8th FYP (25 percent, or about 5 percent per year). The rest of the time it held within the interval of 10-14 percent, or an annual rate of 2-2.5 percent. We should also bear in mind that the restraining of the rise of wholesale prices in that period, just as in certain previous periods (the early thirties and the fifties and other years), was not economically justified. An immense subsidy had to be paid to a number of branches as a consequence. At the outset of the eighties, prices were raised in order to eliminate the subsidy in certain branches. Nevertheless,

the rise in list prices raised the general price index negligibly: by 33 percent, or 1 percent per year. Most of this growth occurred in the 8th and 11th FYP's.

In spite of the slow growth or even invariability of list prices, the real rise of wholesale prices proved to be quite sizable. Definite success in restraining their unrecorded growth was achieved in the 6th and 8th FYP's, when the overall wholesale price index rose only 8-9 percent, approximately the same as in the 5th. But later the growth rates of the indices increased because of the unrecorded changes and amounted to 10-15 percent in the 8th through the 11th FYP's.

The main causes of this dynamic behavior of wholesale prices are related to changes in the efficiency of social production. In the period being analyzed there was a steady drop in the growth rates of the productivity of social labor and the material intensiveness of output grew (at an average annual rate of approximately 1 percent in the sixties through the eighties, according to the alternative estimates), and in the 7th through the 9th FYP's the output-capital ratio was dropping. However, the average wage was rising uniformly (annual average 3-4 percent), exceeding the growth rates of labor productivity in the sixties through the eighties.

A typical feature of the movement of wholesale prices is the correlation of its rates with the drop in the rates of economic growth. For instance, the average annual rates of the latter fell according to the alternative estimates to nearly one-tenth between the 6th and 11th FYP's (with respect to national income), while the average annual growth rates of wholesale prices nearly doubled. This phenomenon is more the rule than the exception. The inversely proportional relation between rates of price changes and rates of economic growth is one of the most important features of our economy as compared to the capitalist economy, in which (at least until recently) this relation was directly proportional in nature. The explanation of this peculiarity is mainly that in our country the price level is influenced above all by purely production factors, whereas in the capitalist economy the ratio between supply and demand has a substantial impact.

The calculations made do not claim to be precise and must rather serve as a point of departure for more thorough and detailed calculations. But even in this form, it seems to us, they can play a constructive role in broadening our knowledge about the character and causes of the change of prices in the Soviet economy.

#### Footnotes

1. For purposes of the discussion below, this term will include not only wholesale prices of industrial enterprises, but all types of prices at which settlement is made with production cells of the national economy, including purchase and procurement prices, shipping rates, and so on.
2. There is a detailed exposition and substantiation of the methods of determining alternative estimates of economic indicators in [1].

3. It should be noted that the task of reducing wholesale prices has been set in all 5-year plans, but actual results in their fulfillment were in the opposite direction in the first four.

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#### REGIONAL DEVELOPMENT

##### Interrepublic Economic Ties Examined 18200437

[Editorial Report] Moscow LITERATURNAYA GAZETA in Russian on 9 August 1989 publishes on page 12 a 1,800-word article by Candidate of Economic Sciences I. Pogosev entitled "Who Is Feeding Whom?". The article discusses the underlying economic tensions that are fueling "separatist" and "nationalistic" sentiment in several republics. By analyzing interrepublic

trade balances and shares of national income produced, the author seeks to dispel the notion that certain republics are "feeding" others and argues for the importance of a unified national economy.

Pogosov notes that the debate over republic economic autonomy has prompted the argument that some republic economies benefit at the expense of others. However, the lack of statistical reporting, according to the author, makes this position difficult to maintain. For example, one measure of a republic's contribution to the national economy is its balance of trade. If interrepublic imports and exports are measured in domestic prices, then, according to the author, only Azerbaijan and Belorussia enjoy a favorable balance of trade. If, however, trade balances are calculated using world commodity prices, then only the RSFSR would enjoy a favorable balance of trade with the other republics. The Transcaucasian, Baltic and Belorussian interrepublic trade balances would suffer most if calculated in world prices.

Rejecting the notion that the balance of imports and exports is the sole indicator of whether a given republic is "living in debt," Pogosov turns to the share of national income being produced and consumed in various republics. According to his analysis, the Ukraine, Belorussia and the RSFSR produce a greater share of the national income than they consume, while the republics of Central Asia and Kazakhstan benefit most from the redistribution of national income. He notes that while in the 1970's the Baltic republics produced a larger share of national income than they consumed, this is no longer the case, even though on a per capita basis Estonia produces the greatest proportion of national income. However, the author states that even national income is no basis for calculating "who owes how much to whom."

Pogosov concludes that "interrepublic redistribution of national income is essential for the stable, balanced development of the union republics." He points out that the amount of national income produced by a republic is largely determined by its available natural resources and climatic conditions, which lead to a certain amount of industrial and sectoral specialization. The author concedes that "there is a need to study deeply, improve, and correct a number of distortions in the existing intra-union division of labor and interrepublic economic ties," but warns that economic isolation "will ruin" the existing territorial structure and "will lead to a sharp drop in production efficiency."

#### **Latvian Decree on Controlling Monetary Supply Published**

##### **5 July 1989 Decree**

18200423 Riga SOVETSKAYA LATVIYA in Russian  
8 Jul 89 p 3

[Decree No 154 of the Latvian SSR Council of Ministers dated 5 July 1989]

[Text] The state of the monetary turnover in the republic has worsened considerably recently. This is primarily

attributable to the violation by enterprises, associations and organizations of the established correlation between the rate of growth of labor productivity and the rate of growth of the average wage.

The rayiskpolkoms and goriskpolkoms (of the cities of republic subordination) have paid extremely inadequate attention to questions in increasing the production of consumer goods, the search for additional commodity resources and control over the work of cooperatives, which led to difficulties in satisfying the cash needs of the national economy and population and to delays in the payment of wages.

The Latvian republic bank of USSR Gosbank and the republic specialized banks did not make timely constructive proposals for a day-to-day influence on the critical situation developing in the area of monetary turnover.

For the purpose of normalizing the monetary turnover, the Latvian SSR Council of Ministers decrees:

1. In accordance with the requirements of Article 14 of the USSR Law "On the State Enterprise (Association)," the ministries and departments of the Latvian SSR must review before 20 July 1989 the standards established for associations, enterprises and organizations providing for the outstripping of the increase in the average wage in comparison with the increase in labor productivity (income) and establish a coefficient of this correlation no higher than 0.9.

2. For ministries and departments of the Latvian SSR and associations and enterprises not achieving in 1989 the standardized correlation between the growth of labor productivity (income) and the growth of the average wage and thereby destabilizing the monetary turnover in the republic, establish a supplemental target for the delivery of consumer goods in the second half of 1989 in accordance with the appendix.

The Latvian SSR Ministry of Trade must organize work for the signing of agreements with associations and enterprises prior to 1 August 1989 on the delivery of consumer goods and report the results to the Latvian SSR Council of Ministries.

3. Forbid associations, enterprises and organizations to acquire output and materials from cooperatives and public organizations prior to 31 December 1989 with the exception of output produced directly by cooperatives, public organizations or citizens engaged in individual labor activity.

4. Prior to 31 December 1989, the Latvian republic bank of USSR Gosbank and republic specialized banks must:

- 4.1. Permit each cooperative to have only one current account.

Close the current accounts of those cooperatives that did not begin operations within 3 months of the registration of their charter;

4.2. Issue cash to cooperatives only for the remuneration of labor. For other purposes, issue money within the limits of the cash funds accruing to their accounts in the current month;

4.3. Permit the performance of banking operations for the transfer of funds from the accounts of cooperatives to the cash accounts of depositors only for the payment of their labor;

4.4. Extend credit to cooperatives, as a rule, when there are guarantees of the repayment of the loan. Introduce for cooperatives the same system for the use of credit that has been established for state enterprises.

Permit the issuing of credit to cooperatives only when there are contracts with state trade organizations for the delivery of consumer goods and for the production and purchase of agricultural output;

4.5. Prohibit the opening of new accounts for cooperatives whose registered charters provide for trade, trade-purchase and mediating work.

5. Rayispolkoms and gorispolkoms (of cities of republic subordination) must:

5.1. Refrain through the end of 1989 from assisting in the organization of cooperatives and the registration of their charters providing for trade, trade-purchase (with the exception of work for the purchase of agricultural output) and mediating work;

5.2. Prior to 1 October 1989, together with financial authorities, check the correctness of the submission of declarations on income and the maintenance of other documents and also check the actual work of cooperatives and, in the event that it does not correspond to the registered charters, take measures to regulate the work of such cooperatives even to the extent of liquidating them in the established manner.

Prior to 16 October 1989, report to the Latvian SSR Council of Ministers on the work accomplished.

6. The Latvian SSR State Committee on Prices together with the working control of trade unions must strengthen their control over price setting, paying special attention to the observance of price discipline by cooperatives and citizens in accordance with the operative standardized documents.

7. For the purpose of the substantial improvement of the financial and tax control of the work of cooperatives, the Latvian SSR Ministry of Finances together with the Latvian SSR State Committee, rayispolkoms and gorispolkoms (of the cities of republic subordination) must quickly allocate supplemental staffs of highly qualified specialists and by 15 August 1989 prepare proposals on a fundamental review of the situation with respect to tax inspectors, bearing in mind the establishment of an effectively operating tax inspectorate in rayons and cities.

8. Within a month, the Latvian republic bank of USSR Gosbank and Latvian SSR Ministry of Finances must present additional proposals on measures aimed at the further stabilization of the monetary turnover in the republic.

9. The Latvian SSR Ministry of Trade and Latvian Union of Consumer Cooperatives must provide for strict observance by subordinate enterprises of the limitations established by rayispolkoms and gorispolkoms (of cities of republic subordination) on the sale in the wholesale trade network of goods to cooperatives and citizens engaged in individual labor activity.

**V. Bresis, chairman of the Latvian SSR Council of Ministers**

**K. Litsis, business manager of the Latvian SSR Council of Ministers**

**Appendix to Decree No 154 of the Latvian SSR Council of Ministers dated 5 July 1989**

**Supplemental Target for the Delivery of Consumer Goods to the Trade Organizations in the Second Half of 1989**  
(millions of rubles)

Gosagroprom	6.0
Goskomprom	10.0
Gosstroy	1.0
Liyepaya "Sarkanays Metalurgs" Plant	0.3
Vtortsvetmet	0.02
Riga Car Building Plant	0.05
Riga Diesel Building Plant	0.2
"Svetotekhnika" Production Association	0.3
Riga Jewelry Plant	0.5
Riga "Avtoelektropribor" Plant	0.4
"Liyepayselmash" Plant	0.05
Ventspils Ventilator Plant	0.02
Daugavpils "Elektroinstrument" Plant	0.08
Resekne "Elektrostroyinstrument" Plant	0.15
Latrybprom	2.0
Brotseny Cement and Slate Combine	0.2
Daugavpils Locomotive Repair Plant	0.4
Riga Ship Repair Plant	0.02

**K. Litsis, business manager of the Latvian SSR Council of Ministers**

**'Extraordinary' Measure Justified**

18200423 Riga SOVETSKAYA LATVIYA in Russian  
8 Jul 89 p 3

[Article: "In the Latvian SSR Council of Ministers"]

[Text] The published decree of the Latvian SSR Council of Ministers is an extraordinary and forced measure. We accurately judge the state of affairs in the national economy above all on the basis of what we can buy, how we convert our rubles into goods.

The solvent demand of the population for goods and services continues to be unsatisfactory. And not only because individual enterprises are not fulfilling production plans and because deliveries of imported goods declined. The consumer market is out of balance because wages continue to increase more rapidly than labor productivity, which is a direct violation of Article 14 of the law "On the State Enterprise (Association)." In raising wages, enterprises utilize for these purposes the production development or social development funds, thereby committing the most egregious violations of financial discipline.

Cooperatives and their founding enterprises are making their own contribution to the imbalance in the economy. The enterprises include the volumes of work performed by the cooperatives in the general fund for the remuneration of labor. The enterprise settles accounts with the cooperative from the resources of the production development fund and the cooperative transfers this money to its fund for the remuneration of labor. There is a double counting of wages, for the enterprises appropriates to itself unearned sums and the cooperative transfers non-cash money to cash. There is an analogous principle of reciprocal accounting of enterprises for the delivery by mediating and trade-purchase cooperatives of industrial goods acquired in the retail trade network.

Credit became another channel for the issue of money not supported by physical resources into circulation. Especially the credit that is issued to cooperatives whose work is not directly related to the satisfaction of the needs of the population for goods and services. And credit is frequently also issued to those cooperatives that knowingly cannot pay it back.

The ABC's of sensible management state: the increase in monetary income must not exceed the increase in the output of consumer goods and services sold to the population. Unfortunately, this is not being observed. In the first half year, the republic's industry and cooperatives produced consumer goods for 3.5 billion rubles (in retail prices). This is 159 million rubles more than in the comparable period of last year. In this same period, the bank gave out 237.7 billion rubles more for wages. And the increase in the payment of wages in cooperatives amounted to 105.7 million rubles. The increase in wages significantly exceeds the increase in labor productivity at many enterprises of Gosagroprom, Goskomprom, Gosstroy, Latrybprom and more than 10 enterprises of union subordination. The only solution is to stop the paying out of unearned money and to cover the indebtedness to the society through the supplemental release of consumer goods.

Uncontrolled cooperative activities are contributing more and more to the development of inflationary processes. There are 4,147 cooperatives registered in the republic, but only 46 percent of them have begun work. Individual cooperatives are not reporting on their work last year, although many of them, having current accounts in republic banks (sometimes several), received

credit. What is needed is an operational inventory of the cooperatives and, in the event of the violation of the Law on Cooperation in the USSR, effective measures should be taken, even to the extent of liquidating such cooperatives.

Individual trade, trade-purchase and mediating cooperatives selling output beyond the borders of the republic in noncash transactions are increasing the emission of money. Some of them are acquiring materials and finished goods in retail trade for subsequent sale at higher prices. This is aggravating the shortage of consumer articles in the republic and increasing the amount of money not covered by goods.

All of this has meant that the people cannot opportunely withdraw money deposits from their accounts in savings banks and that in individual cases there are delays in the payment of wages.

The published decree of the Latvian SSR Council of Ministers "On Urgent Measures to Regulate the Monetary Turnover in the Latvian SSR in the Second Half of 1989" provides for a number of measures to provide for better balance in the consumer market, to curb inflationary processes, to reduce the emission of money and to diminish the gap between solvent demand and the market supply.

**Administration of Affairs of the Latvian SSR Council of Ministers**

## RESOURCE UTILIZATION SUPPLY

**Scrapped Tank Metal Used at Metallurgical Plant**  
*18010870 Moscow SOTSIALISTICHESKAYA*  
*INDUSTRIYA in Russian 16 Jul 89 p 2*

[Unattributed article: "Dreams—Into Plows!"]

[Text] (TASS) Donetsk Oblast—Tanks, exclusively for peaceful purposes, have "been introduced" at the Yenakiyevskiy Metallurgical Plant. Yesterday in the enterprise's conversion shop the first smelting of steel from scrap which had once served as yesterday's powerful combat vehicles took place.

Fifty heavy "T-10" tanks, which until recently were in operation in one of the military formations, were transferred to the metallurgists by the command of the Kiev Military District. After resmelting the combat metal will be used in steel-reinforced concrete castings for the construction of residences, kindergardens, hospitals and stores.

In all, the military plan to transfer 300 such vehicles to the enterprise for resmelting.

## AGRO-ECONOMICS, POLICY, ORGANIZATION

### Nikonov, Sovkhoz Economist on Lease System Introduction 18240223

[Editorial Report] Moscow SELSKAYA ZHIZN for 5 August 1989 carries on pages 3-4 a 6900-word letter from V.V. Shvets, chief economist at the sovkhoz imeni Manshuk Mametova in Tselinograd Oblast, Kazakhstan, entitled "Leasing: Why Are We Going Slowly?". His letter is preceded by an 1100-word introduction by V.P. Nikonov, Politburo member and CPSU Central Committee secretary.

In his introduction, Nikonov describes Shvets as "an ardent propagandist and organizer of new forms of economic relationships in the countryside." The sovkhoz where he works as an economist is an "all-union school of leading experience" in the introduction and application of the lease contract system. Nevertheless, Shvets' letter contains serious complaints and criticisms of the slow pace of implementing the system and offers suggestions for improving the situation in the countryside. Nikonov concludes: "Shvets' letter, which is published today, leads us to realize the need for more profoundly generalizing the accumulated experience and strengthening it with new scientific studies, practical training, and educational work with cadres on all levels, which will ensure the practical implementation of the lease contract system in all links of agroindustrial production."

Shvets begins his letter by stating the successes his sovkhoz has achieved in its changeover to the lease contract system, noting, however, that, even though the system has been in place for 5 years, leasing at the sovkhoz has only reached 50-60 percent. He then explains the mistakes which are being made in attempts to introduce the system in other areas owing to the existence of a basic misunderstanding of "the essence of leasing and lease relationships." Some specialists, he says, view the lease contract as an operation in which farms are subdivided; for example, each family or primary unit raises its own livestock, and land is divided equally among the units or families. Shvets points out that this is an erroneous view of the lease contract system. "The lease contract at kolkhozes and sovkhozes should be assimilated by the existing primary labor collectives.... The existing links unite and cooperate." Small lessors cannot exist without cooperating with one another, Shvets states.

The second misunderstanding is in determining the tasks which a lease contract system is supposed to resolve. Shvets sees the basic purpose of leasing as "a mechanism, with the help of which an individual will become a proprietor in a short period of time. The psychology and thinking of an individual proprietor is directed toward a sharp increase in labor productivity and use of the existing reserves in order to strengthen the economy and improve people's lives." Specialists who attempt to

analyze the status of private property under the system, or who establish plans and instructions for implementation and operation of leasing, are really circumventing the leasing process with new normatives and depriving the individual of the rights of a proprietor.

Shvets outlines several basic requirements, without which a lease contract cannot function:

- 1—Changeover from a wage system to an income-based one on the basis of economic accountability [khozraschet];
- 2—Existence of a distribution mechanism which divides the khozraschet income among the members of a collective strictly according to their labor;
- 3—Assimilation of a lease contract system by any enterprise must be accomplished in a comprehensive manner by all elements at the same time;
- 4—A system and policy on prices; and
- 5—A mechanism encouraging a "private purse psychology."

According to Shvets, these are the elements which distinguish a real lease contract system from one which is purely "formal" in nature.

Summing up his analysis of leasing, Shvets asserts that "lease relationships (cooperation) cannot be limited to the framework of one farm, plant, or enterprise. They should spread throughout a rayon, oblast, kray, or sector and embrace our whole economy." We cannot form proper socialist production relations without genuine leasing arrangements which are necessary for all enterprises.

### Poll Results on Agricultural Leasing Reported 18240204 Moscow ARGUMENTY I FAKTY in Russian No 28, 15-21 Jul 89 p 4

[Article by B. Blagoslavov]

[Text] The 719 agricultural workers polled in Kustanay, Novgorod, Orel, and Saratov Oblasts included 174 lessees. A comparison of their assessments and judgments with what the other respondents said showed that even the first steps of leasing are altering people's economic awareness and behavior. There is an increased sense of being the boss. Here is the distribution of responses to the question: "Can you say that members of your collective feel like the bosses of production?"

	Working Kolkhoz Members Leasing	Ordinary Arrangement
Yes, a majority	44	8
Bosses and spendthrifts equally	9	19
Few real bosses	38	55
Hard to say	9	16



Since under leasing conditions, the workers on the one hand receive large independence in conducting their business, while on the other they have to count mainly on their own energy and labor, their social feeling about themselves improves rapidly.

The survey showed that on kolkhozes 55 percent of the lessees say they are realizing all their abilities in production, while only 31 percent say so among kolkhoz members working under ordinary economic conditions. In the leasing collectives, in the opinion of the respondents, mismanagement is encountered less frequently, the economy regime and work discipline are tightened, and there is a sharp improvement in the organization of production.

The lessees take a more interested attitude in general affairs. After critical examination of the state of production, they express proposals for improvement of work efficiency more frequently than others. Here again it is important to note that considerably fewer "ordinary" kolkhoz members are satisfied with the attention given to their opinion than is the case among members of leasing collectives. This is indicated by the responses to the question: "What do you think, has more attention been paid to your opinion and the opinion of others in the collective?"

	Working Kolkhoz Members	
	Leasing	Ordinary Arrangement
Yes, there has been an increase	35	16
No particular changes	44	58
Decline	1	7
Hard to say	20	19

It is important that there are far more people in leasing collectives satisfied with their material incentives and the distribution of social consumption funds. The high level of confidence that an increase in personal effort on the job will bring more earnings considerably stimulates the intensity of the work of lessees and makes them more interested in the affairs of the entire collective. The following responses were received to the question: "What do you think, if you start working better, will your earnings increase?"

	Working Kolkhoz Members	
	Leasing	Ordinary Arrangement
Will increase considerably	50	23
Possibly, but not much	29	40
Will remain the same	9	27
Hard to say	12	10

Leasing is not an end in itself, just as the rise in the efficiency of production is not an end in itself. The main thing is that leasing relations are changing people's consciousness and behavior. Their creative potential is being revealed more fully and there is a greater yearning for knowledge and self-improvement. The new leasing relations in the conduct of economic activity encourage this. The answers to the question: "Does your job demand an improvement of your knowledge of economics?" were distributed as follows:

	Working Kolkhoz Members	
	Leasing	Ordinary Arrangement
Yes, without question	68	53
Yes, but not particularly	16	20
No, it does not	5	14
Haven't thought about it	11	13

## POLICY, ORGANIZATION

### Creation of Special Consumer Goods Sector Proposed

18270123 Moscow PRAVDA in Russian  
4 Jul 89 Second Edition p 4

[Article by A. Kovalev, candidate of economic sciences:  
"Are We Making a Clearing in the Shape of a Star?"]

[Text] It is now 50 months since our economic restructuring began to be carried out.

That length of time has been sufficient for recovery of countries devastated by war, to overcome the consequences of great crises, and to pull out of the death dives of credit and monetary systems.

Our agriculture is in an economic crisis, and the financial system is experiencing disaster. But in 50 months we have not in my view done anything worthy of self-preservation.

I must also acknowledge that the economic results of the discussions in the First USSR Congress of People's Deputies were not encouraging. With two or three exceptions, the anticrisis programs seemed patchy and clearly designed for public relations. Once again, the diversity of forms of ownership has been declared and nothing more. Demands to eliminate all kinds of shortages—from the budget deficit to the lack of libraries—rubbed shoulders with poorly disguised appeals for continued printing of money to solve social problems.

Even though we do not have much time left. We would have even less if we began to build equilibrium on commodity and money markets in keeping with the fashionable idea of the 1987-1988 period, by raising prices, then wages, then prices again, and so on—without stopping.

Nor does the second idea that is now in fashion seem any less "full of promise." To get out of the crisis, it is recommended, existing management structures are to be entirely replaced by total self-management: the enterprising and energetic are to be given freedom to produce whatever they can; the market (it is just not clear which) is to be given the right to evaluate the results of their activity.

On such a "market," payments out of profit for loans, land, and so on, are just another test-tube fiction: we still do not have a tax system, nor civilized credit, nor a system of charges on assets, resources, etc. If we do not know which costs are indispensable, how are we to guess which income is market income? Under such conditions, it is highly likely that we will not leap forward, but sideways.

One would like to believe that these ideas from the institutes of the academy are being sent to the museums

of Soviet economic experiments. But the iron law is that equally fond illusions are coming to their aid. We will name three of them:

- about the superiority of economic decentralization over bushy-browed centralization;
- about the possibility of a purely financial solution to the crisis;
- about the new (only to us) planning—based not on binding directives, but advisory guidance.

How do we account for this gullibility and pathological weakness for experiments? I think it comes from the unshakable conviction that everything we create is exceptional and inimitable. That once again we are blazing a trail into the unknown, like the hero in "The Sibiriad," who made a clearing in the taiga in the shape of a star.

So while we are clearing the forest, many European, Latin American, and Asian countries have been ascertaining with admirable clarity the patterns of the process of recovery and have pulled themselves out of far deeper crises than ours.

There are two basic patterns.

**First:** the process of recovery has two clear stages. In the early going, the central authorities protect the money from us consumers; they bring down inflation, they place rigid limits on the growth of nominal income, they closely control credit, they entirely reshape the monetary and credit system by developing the turnover of means of payment with different terms of debt repayment. This restores confidence in the national currency. In the second stage, the authorities then protect the consumer against the new and more expensive money, and they concern themselves with improvement of the social position of the population.

**Second pattern:** a "system of weights and measures" is imported into the national economy from outside. It preserves its independence with respect to processes taking place in the internal economy and serves as a standard by which to measure how real the changes are. The role of such a system can be performed by a second monetary unit, credits in hard currency at higher rates of interest, mixed remuneration of labor in foreign exchange and domestic money, and so on. The purpose of introducing such a system is to build the skeleton structure of restructuring that would not be exposed to the inevitable corrosion of habit.

In the first stage of recovery—it lasts a few years—protection of the money becomes the strategic objective of government measures. As a rule, rigid control is established over foreign exchange and finances. Then the credit system is expanded by developing the form of ownership based on stockholding and the securities market, by creating specialized institutions buying and selling debt of varying maturity and collateral. The quantity of credit money is controlled mainly by centralizing credit, by restricting access to it, but not by raising

the rate of interest of the banks, which can speed up inflation. Only after these measures are performed are the financial curbs gradually loosened.

It is at the end of the first stage that the two main traps lie in wait for the recovering economy: premature relaxation of control over the activity of the commercial banks, active participation of the national banking system in financial intermediation between foreign and domestic capital markets. The first of the traps is capable of sending the economy back to the situation of a surplus of credit money when the rate of interest is high and inflation is strong. The second threatens the stability of the national monetary unit.

In the second stage, financial policy changes and becomes more liberal. Instead of restricting access to credit, regulation is done through the bank rate of interest. Priority is given to the quality of life, to expansion of domestic consumption. All of these measures are conducted under the sole condition that there is a diversified credit system capable of breaking up inflationary inflows and outflows.

It is important to note that the rigid external standard we have mentioned is in the first stage actually introduced everywhere in some form or another. Although withdrawal of savings and monetary reform are for us inapplicable, we need to give some thought as soon as possible to adoption of others—the parallel monetary unit, control over nominal income. And in doing so, think in practical terms, not reflect about the percentage of Marxism in these measures of the workaday economy.

There is still time for reflection, but not much. We still have something to save:

- a comparatively moderate rate of inflation,
- the possibility of economic management of the bank rate of interest and the volume of credit.

As soon as we get into the inflationary spiral, all the remaining relative advantages, without exception, will be jeopardized. And, equally important, the choice of remedies will be more restricted: the idea of a second monetary unit will be discredited, and management through the bank rate of interest will be dangerous.

We experienced something like this 70 years ago. And they tried to protect the money against loss of value. In the context of the extraordinary situation, it was centralization of the banks and industry, which has now become an anathema, that was their guardian angel. Then, by the logic of things, it had to give way, but only then and not because of considerations in fashion in the political marketplace ("let us do everything in a new way"), but only after they had performed their role in the reform. But the logic was departed from, and so was the sequence of the stages of recovery.

I sense in advance the stones that will be flying in my direction. But here and now we are not talking about feudal bureaucratic centralism! After all, in the 1970's

and 1980's did we have real economic centralization? That word was like an ideological shield that concealed departmentalism, to use the apt expression of specialists, which acted like the clever wife who succeeds in persuading her husband that he is the boss of the house, but actually she does what she pleases.

And perhaps it might be worthwhile to go back to the Leninist idea of "nationalizing the trade unions," but in the modern way—freeing the largest departmental coalitions of general directors from ministerial control? I am convinced that we are threatened now not by unnecessary centralization, but by excessive separateness of the producers, by their exclusiveness within their sector and branch, by their desire to live on the basis of their own gross output and by throwing inflation into someone else's garden in their native land.

Creation of intersector concerns is a step in the right direction under these conditions. But under the mandatory condition that a law is drafted and procedure and taxes are set up so as to prevent their taking advantage of shortages to consolidate their monopoly position.

Perhaps true centralization with the classic set of regulating instruments, not sham centralization, might not be so harmful to us? Especially since it does not contradict at all the decisions that have been made about the independence of enterprises and well-considered regional cost accounting (khozraschet). At present, we do not have the capability of full enterprise independence, which unconditionally remains the main objective: we have neither the market infrastructure, nor the credit system, nor budget regulation, nor the fundamentals of knowledge of the market and of ways of moving goods. At present, we see all of that being replaced by the unrestricted printing of money indebtedness which is being overlooked, and monopolies based on shortages.

The market economy has to be built step by step, it cannot be decreed into existence. And that is why I think that we have to preserve the state order as an anti-inflationary tool, making its structure and size dependent on the acuteness of the shortage and the anticipated rise of prices.

It is dangerous to set hopes on indirect regulation of economic activity: the shortage will take control of it. If enterprises have financial independence and there are no automatic regulators, the deficit economy is too great a temptation for many producers, who establish cost accounting not by reducing the shortage, but by stimulating it.

That is why in the first stage of the reform the measure that comes first is to create and maintain Western standards of quality, technology, and management within certain geographic zones and within the limits of sectors, branches, and production groupings. Building that skeleton structure is the first step away from the crisis line. This is not realistic on the scale of the entire economy. But it is quite possible to single out a separate

sector in the Soviet economy and protect it from the departments and inflation by juridical and financial action.

Creation of a sector of this kind and maintenance of its operation must be included in the national economic plan for the next 5-year planning period. This sector cannot take the place of the general reform. It can and must become an organic element of it. Its formation must run parallel to reduction of the state's budget expenditures, to major reduction of unfinished capital construction, to creation of an up-to-date financial system, to the transformation of excessive personal saving into shares of stock or a state loan with interest paid in foreign exchange, etc.

This sector does not come down to some joint enterprise zone (ZSP) or an assemblage of ZSP's. Its task is to orient the Soviet economy in the direction of a regulated market economy. It would include not only ZSP's, then, but also functional subdivisions and specialized mechanisms for regulating foreign exchange, credit, investments, and social welfare.

It would be the responsibility of the separate sector to look strictly to the production of consumer goods and food, supporting end-product specialization with preferential credit and tax benefits.

The need for manpower in that sector must be determined by economic means.

This sector must be safeguarded against ministerial games and juridically exempted from the myriad of quotas, directives, orders, decrees, ukases, and so on.

In it, foreign capital must have solid tax benefits and other benefits. Its attraction, and also stimulation of an inflow of foreign entrepreneurial and managerial know-how, are vitally necessary to the sector.

In it, prices have to be set and income has to be distributed on market principles. Along with the two stabilizers—the assigned state order and targeted pricing, whose role must in time change as a function of how stable the sector's financial situation has become.

In other words, this sector:

- will be oriented toward the production of goods, since only it is capable of solving our problems,
- will be a source of social tension, since it will not guarantee happiness "to everyone at once."

Creation of such a sector most sharply contradicts the cliché of "social justice" that has been established in our society, and it constitutes a serious ideological and political problem. But we are still forced to take into account the patterns of world experience with recovery of collapsed economies and to pay for the economically unsound social homogeneity of social differentiation.

...Nothing new under the sun. There are patterns and a sequence of stages of rebirth which no one yet has been

able to do without. Why are we once again striving so obstinately to do the impossible? The sooner we get back to professionalism not only in sports, but also in management of the economy, the sooner we will free ourselves of illusions, the more quickly we will get rid of ideological vanity and the fear of the next steps and full-scale measures. Which will bring us all the more quickly to clear economic principles and binding decisions.

## FOOD PROCESSING, DISTRIBUTION

### Khabarovsk Food Processors Denied Equipment for Retooling

18270134 Moscow SOTSIALISTICHESKAYA  
INDUSTRIYA in Russian 1 Aug 89 p 2

[Article by D. Latypov, special TASS correspondent for SOTSIALISTICHESKAYA INDUSTRIYA: "In Search of Mutual Benefit"]

[Text] Food processing enterprises in Khabarovsk Kray are in an extremely disastrous state. They are in urgent need of retooling. However, when placing their orders for equipment, the processors encounter strong opposition from machine building plants.

"In order to keep from halting production, we need to carry out immediately 18 measures that will brook no delay," says V. Lyubchenko, chief engineer of the Khabarovsk Creamery. "I have now idea how to do this. Despite the decisions of local party and soviet bodies, we have not been able to place orders for the manufacturing of spare parts and equipment at a single one of the sponsoring enterprises. Take the Khabarovsk Ship-Building Plant. Its director, S. Ladyzhets, agreed to accept one of the urgent orders only after pressure from the party raykom. But the Khabarovsk Daldizel Plant was not ashamed to demand 1 ruble 58 kopecks for each compressor ring manufactured (list price of 8-12 kopecks)."

When you find out about these and similar facts, you cannot help having doubts: Is rapid retooling of an enterprise possible? Today, the kray has a 30 percent shortage of capacities for production and processing of dairy products, a 25 percent shortage of capacities for making sausage, and only 8 percent of the required plants for producing canned vegetables are in operation. Mayonnaise, mineral water, and other products are produced here in facilities somehow adapted and using extremely worn out equipment.

What is the essence of the contradictions between the machine builders and their food-processing clients?

"They unwillingly take orders from them for one reason. They are unprofitable," explained I. Moskvichev, director of the other Khabarovsk Ship-Building Plant—the Plant imeni S. Kirov. "You see, in order to manufacture, for example, as it is written on the job, 'a flexible steel ring sleeve coupling' or 'a steel drive pulley,' for

which, as it is explained here, there are no drawings, much labor-intensive and costly work has to be done. It is necessary to disassemble the operating machine or assembly, take dimensions of the parts, make drawings, and then begin manufacturing a similar mechanism. The overhead costs at the plant are 306 percent. In short, if we manufacture the equipment for the processing industry at list prices, we will suffer considerable losses. And in such a situation, the labor collective council will demand serious explanations from me. Therefore, the managers of the machine-building complex have no desire to get involved with complex, unprofitable orders. Although I understand that this is necessary, and we will do something. But we certainly will not assimilate the entire sum of orders for 1990, which are more than 13,000 rubles."

The Khabarovsk Krayispolkom has tried to cut through these problems. The first thing it did was to gather the managers of machine-building plants together and explain the situation to them. However, working under the new economic conditions, the machine builders flatly refused to manufacture equipment at low prices.

The krayispolkom came at the machine builders from another side. A quota-list was compiled, according to which it was necessary in the next 1-2 years to manufacture more than 500 items of small-scale mechanization, non-standard equipment, spare parts, and production lines. For 1990, the total value of orders placed in the kray will be more than 10 million rubles, and for the next 5-year plan will be 67 million.

The question arises: How was all this accomplished? The krayispolkom utilized its right and included in the production plan of each enterprise the fulfillment of orders of the agro-industrial complex in the amount of 1 percent of the total volume of production. The local soviets have neither the financial nor material resources for more.

Is this a realistic approach? After all, today it is impossible to use forceful methods to influence enterprises that are operating under the new economic conditions.

"I think that only an economic interest will get the machine builders to want to participate in carrying out the extensive program of technical renovation of the processing industry," P. Minakir, deputy director of the Economic Studies Institute of the Far Eastern Department of the USSR Academy of Sciences, commented on the situation. "Such an approach is dictated to them by cost-accounting relations, which have become the basic relations at all enterprises today. Therefore, the attempt to use administrative methods to force plants to fill obviously unprofitable orders is doomed to failure. In the extreme case, the simplest items will be put into production, those that will not require large expenditures. In order to make headway, obviously, the customers from the processing sector should be supplied with those centrally allocated materials which they so far

do not have the right to receive. As a rule, the food-processors do not have a great need for critical materials, but the machine builders will be more favorable toward them. Perhaps they should think about how to transfer a number of items into the consumer goods category. Production of them, as we know, is supplied materials from central deliveries. There is also this solution: Completely convert one of the defense plants to the manufacture of spare parts, non-standard equipment, small-scale mechanization, and production lines for enterprises of the food and processing industry not only of the kray, but of the entire region."

## GOODS PRODUCTION, DISTRIBUTION

### Cooperatives Aggravate Shortages, Contribute to Double Counting

18270126 Moscow SOVETSKAYA ROSSIYA in  
Russian 18 Jul 89 First Edition p 2

[Article by Yu. Vorobyevskiy, TASS correspondent for SOVETSKAYA ROSSIYA, Leningrad-Moscow: "A Sandwich With the Butter Up?"]

[Text] Do you hear the rustling of bank notes? People say that this is the sound of creation. A cooperative building, which is evaluated at billions of rubles, is being constructed. The following was announced with pride at the recent congress of USSR united cooperatives: During the first quarter of this year the volume of work and services totaled 4,307 million.

How substantial is this sum? The question is not accidental. On 1 May 1987, when the Law on Individual Labor Activity went into effect, I noted the following: Young people did a brisk business in inflated balls at the metro station. The rubber itself costs five kopecks, but filled with air from the lungs of an energetic and enterprising person, twice as much. Apparently, they did not have a patent. But they were not mentioned for nothing. A bit too often the results of activity of "registered" entrepreneurs are also inflated.

Children's tights disappeared from Leningrad stores. Later they appeared, but with painted flowers. The price was almost twice as high as that of the former. It turned out that a cooperative was established at the section of the Krasnoye Znamya Factory, which manufactures this item. Its task is not so much to paint flowers as to raise the price of articles of children's assortment. After all, the enterprise does not have this right. The state kopeck saves the cooperative ruble in this way. Both the "merchants" are satisfied and the cost-accounting factory increases its profit (the results go into its assets).

What is the simplest profit-deriving formula? State sausage is put on a state roll and some new quality—a cooperative sandwich—appears. How to call these profit swings of a sharp knife? Conspiracy!

Alas, so-called double counting, which has long made our statistics highly crafty, is manifested even more strongly

in the cooperative sector. After all, the same creation of the sandwich is another limit in the technological chain and another stage in the processing of state products. We add their value, which has already been recorded somewhere in state reporting, to the markup dictated by the demand and... we go back to the question: Is there much additional benefit in the same billions?

And what about lavatories and other free services, which cost 20 kopecks? Businessmen, going through fire, water, and waste pipes, get stronger economically and bring profit to patron organizations. Judging from the data of law enforcement bodies, neither do their managers come off as losers. The state-cooperative monopoly is formed in such a way. Will it save our economy? More likely, sandwiches will begin to fall with the butter up!

"All of us remember how at first Soviet cooperatives were declared to be a sphere, where, basically, population not engaged in public production, that is, pensioners, students, housewives, and disabled persons, should work. However, this business proved to be so attractive that a totally different population rushed into it." This is what I. Bolotov, chairman of the Moscow Cooperative Association of Disabled People, believes.

It turns out that those that have already formed cooperatives, that is, participate in the social division of labor, form them. Here the latter-day heroes of our economy face two ways: To the right, a second job; to the left, the road from the state sector.

Let us take the first case and ask: Is it possible to work efficiently after a strenuous 8-hour shift? Hardly. Let us take the second case. Will we obtain more products, not enlisting additional people in production and only transferring their power from reservoir to reservoir? Nothing can be taken from nowhere. This is like the law of matter conservation.

However, our law of time conservation has not been written for the homebred entrepreneur. Answers are obvious only at first glance. It turns out that many people work in a cooperative very energetically even after a work shift in a shop, because the absence of technically substantiated and stepped-up output norms enables them not to exert themselves at all at their machine tools.

There is another "unexpected development." The plants that have lost personnel fulfill plans as before. The same non-stepped-up norms leave such reserves that even the outflow of workers to become businessmen is not yet reflected very much.

It would seem that this is good. Cooperatives give additional products, even if not as many as double counting claims. With their own appearance they not only refuted the myth of the personnel shortage, but were also able to activate a part of the army of "hidden unemployed persons."

Thus, there is a reflow of personnel. Not because it is simply pleasant to work under a cooperative signboard. The reason lies in something else—different pay for equal labor.

Uncontrolled price formation is the first component of such a situation. We look with indignation at hats sewn by "entrepreneurs" from skins of pedigree dogs. However, they skin the client alive. Meanwhile, in the GDR, for example, cooperatives have the right to set prices only 5 percent higher than in the state sector.

There is an opinion that with the growth of the cooperative movement prices will drop. However, is this possible when in the country there is a huge mass of money, for which there are no goods (on the order of 300 billion in savings books alone)?

Let us even assume that cooperatives will produce goods and services for all the 300 billions, for which they are not available at present. Money will be transferred from the pockets of state employees and workers to the pockets of cooperative workers... But where will they go with these bank notes? They will buy something from their colleagues, but in most cases will head for the state store! Will the shortage go away?

The abundance of money, for which there are no goods, is the legacy of stagnation, when a good deal was paid not according to labor. Now, however, cooperatives also make their contribution to the development of this negative process.

At one of the meetings of the Presidium of the USSR Supreme Soviet, which I had occasion to attend, the following statistics were cited: The number of those that do not produce, but only redistribute, goods is increasing constantly. True, with the shortage there will not be enough products for all anyway. However, cooperative mediation costs quite a bit of money, especially as industrial enterprises pay for it by no means from material incentive funds—they do so from production development funds.

Talking about the new economic thinking, for some reason we count more on the merchant capable of buying and selling something profitably, not on the creator. However, if new value is not created, only shifting money from pocket to pocket, rustling instead of true construction, will remain.

What kind of honest single combat between the two sectors can be discussed, for example, in such a situation? Leningrad entrepreneurs announce: "Furriers are needed. The pay is up to 1,000 rubles per month." The Rot-Front Factory right away loses almost all the production workers in this specialty. Will they begin to work better for the easy money? Poorly equipped cooperatives produce low-quality products. Why the high wages? They are based on the difference in taxes. Instead of 90 (as sometimes is the case at an enterprise) the cooperative pays 2 or 3 percent of the profit during the first year. At the same time, inventors of fantastic prices and

designers of personal gain lay claim to free public health and other services, hardly giving anything for their development. Will their shortage be reduced?

We will see if it is possible to solve this problem by means of new normative acts on taxation. And will these acts themselves hold out under the pressure of the "thick purses," which demand their revision?

The people of Leningrad have now submitted a proposal for the establishment of a state-cooperative association to the USSR Council of Ministers. Within the framework of the state order Rot-Front will operate as before. Products will begin to be sold at state prices and profit will begin to be distributed according to existing norms. However, the collective intends to sell the articles in excess of the state order on the basis of cooperative rights.

Let us look to what such a compromise will lead. However, in itself it points to the unequal situation, in which two laws—on cooperatives and on the state enterprise—have put their "charges."

Finally, there is a change-over from words calling for an equality of rights of the two sectors to action. We have in mind the recent decree of the USSR Council of Ministers on measures to eliminate the shortcomings in the existing price formation practice. In particular, it discusses the creation of conditions for bringing the levels of cooperative and state prices closer together. The opportunities for the acquisition of material resources by cooperatives are expanding.

Under these conditions, undoubtedly, speculators will stay away from cooperatives.

In general, would a need arise for many cooperatives if in the state sector people work normally (that is, according to a technically substantiated norm)?

The experience of the Snabzhenets Cooperative established under Lenglavsnab [Leningrad Main Administration for Material and Technical Supply] suggests this idea. Yes, it has already helped to dispose of a great deal of industrial waste, above-normative stocks, and surplus goods. Another thing is strange. In the structure of the main supply administration there is a department, which is called upon to engage in such operations. It turns out, however, that Snabzhenets provides a number of services, which the competitor does not offer. For example, it undertakes the entire drafting of documents. It turns out that the duties of the main administration's workers and the norm of their work simply do not include the necessary operations.

People from Snabzhenets (many former workers of the main administration) are satisfied. It is precisely on the sluggishness of the state organization that one can earn money! Will not the time come when even the present level of confusion and scarcity seems insufficient to someone?

References to the experience of Western countries, where cooperatives play an important role in the fight against monopolism, are inappropriate. Cooperatives established under conditions of a glutted market can last only by producing the cheapest or best-quality products. It is another matter when a cooperative building is constructed on the shaky foundation of shortages. Then they become simply undesirable for the stratum of people that becomes increasingly stronger.

Incidentally, foreign specialists have begun their activity at many joint enterprises in the USSR precisely with labor standardization. No man is a prophet in his own country! After all, our Leningrad economist G. Muravyev suggests that a rate for the fulfillment of an output norm be paid and, in order for it to be maximally stepped-up at every moment, that a bonus be given for its revision, that is, for the introduction of the achievements of technical progress and scientific labor organization. This is the possibility of creative work, the shortage of which (and not only of money) also takes away people from the state sector, where the cunning piece-rate system and the good old-fashioned time-rate system reign. At a number of enterprises the wage-rate-and-bonus system has produced labor productivity growth and increased personal responsibility for the assigned task. However, it has not become widespread. Salamandra at the Lenvest joint venture and other partners now propose something similar.

Let us recall the same Lenglavsnab workers, who are obliged to draw additional resources into turnover. Let us imagine that very big bonuses are paid depending on the rise in this indicator, that is, on the revision of the norm assigned to every worker. It is to be assumed that state employees will right away undertake the functions that now bring success to cooperatives like the famous Tekhnika. Is the answer to the question as to how to bring the economy into the norm not here?

### Impact of Wholesale Trade on Supply System Assessed

18200424 Moscow

MATERIALNO-TEKHNICKESKOYE SNABZHENIYE  
in Russian No 6, Jun 89 pp 9-12

[Article by B. Yakovlev, deputy USSR Gosnab chairman: "Monitoring Deliveries Under Wholesale Trade Conditions"]

[Text] It will probably be no revelation that today's world is now going through a very distinctive phase of the scientific and technical revolution. Quite recently, we talked about new energy sources, nuclear and space equipment, more advanced materials, and the potentials of electronic and computer equipment.

We are also talking about these achievements today; however, the stress is now on a different place. Quantity was the main thing yesterday. The new phase in scientific and technical progress has a fundamentally different nature—a qualitative one. The ability to deal rationally

with that which we have stands at the head of it—the adaptability of the entire chain to manufacturing: the mining of mineral resources—the production of material and technical resources—their distribution and use.

If we are to correlate all of this with the state-wide logistics system, the wholesale trade of production and technical products undoubtedly can and should become its basic feature.

The advantages of wholesale trade are evident and there is no sense in listing them again. The main thing is that we do not have the right to forget that its well thought-out, planned and rapid introduction really not only provides a noticeable effect in the distribution area but also contributes to success or failure in the event of a disruption in the intended plans for many other factors in the country's radical restructuring.

However, wholesale trade—although very important—is not the only component in the economic reform. In parallel with it, it is necessary to improve the planning and pricing mechanism, consistently strengthen cost accounting and the economic independence of enterprises, reorganize the structure of production as a whole—in a word, create everything that is called a socialist market. You see, however, state enterprises, cooperatives and “private traders” will compete in this market. What general laws will begin to operate in this market world which to a great extent is unfamiliar and unknown to us? What kind of methods can be used to regulate it? To what degree will the elements submit to management? Finally, something that is especially important for supply agencies—how can one supply the market with resources so that a gaping emptiness or mountains of impractical accumulations of resources do not appear in it, and how can one combine the seemingly incompatible concepts: the freedom to buy and sell and the monitoring of all these processes?

Until recently, these questions were not the first and foremost ones for us; this is understandable in general. Something else, however, is no less understandable: Constructive tasks will begin to acquire even more important significance as we move forward. The more successful the economic restructuring is, the sooner will this occur. This means that we need a clear-cut theory for regulating a socialist market and a specific set of tools to implement the theory practically. An automated system for controlling the supplying of the national economy with resources should be one of these tools.

Quite a bit has been written and said about how the management of deliveries was organized during different periods in the formation of the state-wide logistics system. We have talked about the potential opportunities and difficulties and we have suggested specific measures which could remedy the situation. The present reform of the principles for the material and technical supplying of the national economy with the means of production based on wholesale trade is revealing tremendous opportunities for maneuvering. At the same time,

the times require a radical restructuring of the entire system for managing the branch since we are producing many resources—but they are not sufficient. They are short in one place but plentiful in another. Computer equipment is required to eliminate this supply imbalance. Many territorial agencies have it but they do not always use it effectively. One can add to and add to this list of deficiencies and defects. However, let us dwell in detail only on several particularly complicated items.

Perhaps the major obstacle on the path of wholesale trade is the monopolism in industry, science and—yes—even in the distribution area, which still permeates our entire structure. It is multifaceted and very tenacious at the level of the branch, department, enterprise, and region. There is still no genuine cooperation between factories producing parts for use by another, and the contracts concluded between producers and users—although they remedy the situation to some degree—are still far from completely remedying it. Cost accounting has not begun to work completely—the supplier monopolists are keeping the opportunity to shift their derelictions and mistakes to other shoulders.

Let us take a concrete example. Last year, we distributed approximately 95 percent of products and goods in a centralized manner. This year, this figure has been substantially reduced. In general, the state order for industry now represents approximately 40 percent. Its proportion is somewhat higher in the raw material branches—60 percent; and lower in machine building—25-30 percent. It turns out that a significant portion of the products produced must be sold in accordance with free ties. It is not difficult to surmise that economic directors did not turn out to be orientated in advance toward active work in drawing up contracts; group interests, which push enterprises toward reducing the amount of concluded contracts, have played a negative role somewhere here; somebody waited to see what orders would arrive and where it would be said what must be brought where. However, it is now necessary to search for suppliers and customers on one's own and to conclude contracts with them. Again, there is a serious problem here: the unpreparedness of the major portion of directors to work under the new conditions where the area of centralized distribution is yielding the field more and more to the activity of free cost accounting entrepreneurship.

Many contradictions can be removed with the help of an improved automated system for monitoring and controlling the national economy's material and technical supplying. How will such an automated control system look in the future? The system will embrace up to 10,000 enterprises and will not have any analogs in world practice based on its scales. A hierarchical structure of computer nets consisting of local computer networks—in the central USSR Gosstab staff, in the main territorial administrations and in the subunits of wholesale trade and regional networks that connect wholesale trade subunits and the main territorial administrations—will serve as its technical base. However, the range of the



assigned tasks does not contribute to the gigantomania that sets one's teeth on edge; rather, it is a real necessity for utilizing numerous sources of information. Furthermore, it is these tendencies that are now being noted in the development of similar systems in the more developed industrial countries.

The automated system is designed for two control levels in the national economy's material and technical support: the central staff and the territorial administration.

The USSR Gosplan with the participation of the USSR Gosstat and USSR State Committee for Statistics is developing the system in accordance with a government decision.

Today, individual elements of this system have already been designed and are functioning. Its introduction is occurring as wholesale trade is further expanded with the means of production. In this regard, however, the functions of centrally planning and distributing material resources according to a state order and especially scarce products are being partially maintained. This part of the automated system, which embraces the control and monitoring of stocks of particularly scarce products, has been introduced at the present time for a limited products list.

The system being built will possess the necessary flexibility and will rapidly switch when there is a change in the functions of individual logistics agencies. It must insure the automation of not only those processes existing today but also the others which are appearing with the expansion of wholesale trade.

The main purpose of the automated control system being built is to increase the efficiency in managing the national economy's supply. This is possible by increasing the level of information and the balancing of the production process and sales under the conditions of the broad independence of enterprises, the accelerated expansion of wholesale trade, the operational maneuvering of material resources on regional and national economic scales, increasing the amounts of intermediary services, establishing the optimal level of stocks, and conducting measures to save resources.

The final goal is to insure the effective functioning of marketing.

The system's main organizational links should be the USSR Gosplan Main Computer Center and the network of information and computer centers of the territorial agencies (commercial centers) which are connected with the information points of wholesale trade enterprises.

This system cannot be built in a short time. The automated control system must be developed in stages, based on the timeframes for shifting material and technical supply to wholesale trade.

The conditions for building the system exist. The basic documents for material and technical supply with enterprises and organizations operating under full cost

accounting and self-financing have been issued. Among them are the Statute on Delivering Production and Technical Products, method materials that reflect the expansion of wholesale trade, the procedure for forming regional and accounting balances, recommendations for organizing the work of commercial centers and fairs, etc. Logistic agencies are actively being equipped with personal computers and local computer networks.

At the level of the USSR Gosplan central staff, the system should embrace the management of the material and technical supplying (planning, analysis and monitoring) of production and technical products that are included in the state order as well as the monitoring of the movement of commodities and the use of the scarcest products. The forecasting of the market's capacity, the optimizing of transport flows and the formation of product stocks in inter-regional bases in order to maintain a stable satisfaction of demands will come in here.

An important item is the fulfillment of balanced accounts—including the balances and plans for distributing state order products according to the products list and summary account material balances for products handed over for sale through wholesale trade, for the products of interbranch complexes and for the country as a whole. Another aspect of its operation is the processing of commercial information about the market's condition, the composition of services, the volume of deliveries, the availability of unused or above-plan stocks, the possibilities for transferring them to interested organizations, products sold through fairs and auctions, and stocks of resources in sorting bases.

At the level of the territorial agencies, the forecasting of a region's needs for material resources based on data from enterprises, the dynamics in the development of production and consumption, statistical data, and the availability of stocks in their own warehouses and in enterprises is being automated.

In accordance with the USSR Law on a State Enterprise (Association), the enterprise consumer has been granted the right to select the form of supply: directly from the manufacturer or through a supply and sales enterprise. Therefore, the main territorial administrations announce the consumers whose economic ties with manufacturers will be established through their mediation. At the same time, the territorial agencies announce the requirement for previously used products and also data on deviations being planned.

The wholesale purchasing of resources for the main territorial administration in accordance with direct contracts with suppliers; the collection of data from enterprises; the formation of the region's total demand for material resources; the development of alternatives for covering demands; and the compiling of summary lists of delivery capabilities, suppliers, delivery times, and types of deliveries will be in the area of the automated control system. Regional balances are being formed here.

The regional balance, which is formed, is sent to the appropriate USSR Gossnab departments which work out production and product delivery volumes with the ministries, departments and manufacturing enterprises. Based on an analysis of the control numbers and statistical data covering a number of years, the assumed consumption volume and the planned volume of resources, including import receipts, is determined and a summary account balance is formed.

During the process of operationally managing material and technical supply, the main territorial administrations with the help of the automated control system forecast the completion progress, monitor deliveries, study opportunities for satisfying demand in the event of a disruption, and make known the reality of a rush order for a definite product within the framework of the region and for imports and its effect on the USSR Gossnab central agencies or the involvement of one's reserves and stocks, centralized stocks and the stocks of other consumers on a compensatory basis. In order to insure the stability of material supply, the administrations are establishing and maintaining the required level of regional reserves and stocks and the necessary volume and variety level of free market assets sold according to free sales through the network of stores.

The information and commercial centers of the main territorial administrations, which are being established within the framework of the automated control system, provide commercial and mediation services to the region's enterprises in organizing commission trade in superfluous and unused products, selling products above the plan, searching for suppliers and consumers, drawing up contracts and transactions, selling and bartering surpluses and non-liquid items, and raising the production readiness of the products being delivered; they organize delivery transportation services; and they optimize the transport flows. In addition, the information and commercial centers carry out the servicing of enterprises with information. This includes searching for, processing and issuing data on the products being produced and their technical characteristics, suppliers and consumers, prices, delivery capabilities and times, and the conditions for concluding contracts; they advertise the products being produced, bought up and kept; they issue catalogues and booklets; and they participate in organizing exhibits and fairs. In order to provide the required reliable information, an information and commercial center establishes and supports the functioning of a regional data base, carries out the collection and processing of statistical data on the supplying of material and technical resources and the progress in carrying out deliveries, and analyzes deviations and the issuance of the required accounts and certificates.

The providing of paid information and mediation services in effectively searching out suppliers for the subsequent conclusion of direct contracts, determining the capabilities of a rush order for products within the

framework of one's rayon, etc., must become a fundamentally new type of activity for Gossnab territorial agencies.

The commercial prices for products produced above the state orders and contract surcharges to the price for fulfilling rush orders for the delivery of products can be used as economic influence levers with suppliers and users. The arsenal of economic levers also includes surcharges for the delivery of products from centralized insurance reserves and by way of inter-regional deliveries and for their mutually formed delivery on a commercial basis. USSR Gossnab resource-providing complexes determine the products list, according to which centralized insurance and circulating reserves are formed, and define it more precisely annually.

The elimination of the imbalances in supplying the national economy will basically be solved at the regional level. Having the status of an independent cost accounting center, territorial agencies and—what is especially important—their employees will have a material interest in increasing product sales volumes within the framework of wholesale trade and the providing of other services to their clients.

Thus, the USSR Gossnab will be transformed in the future into a large state commercial organization that will function under the conditions of a socialist market on a level with smaller suppliers and users. On the one hand, this determines the basic role of the committee and its territorial agencies in supplying the national economy with the material and technical resources that contribute to the harmonious development of production in all branches and, on the other hand, it determines the work of the state-wide supply system under the conditions of the competition that is inherent in a free market.

Under the new conditions, all practical and economic activity will be shifted from the center, where it essentially was located under the command administrative management methods, to local agencies and their cost accounting information and commercial centers which will service all enterprises regardless of their departmental subordination.

Based on the first phase of the automated control system for USSR Gossnab and the established scientific and design work already done, the function of maneuvering resources in USSR Gossnab wholesale trade enterprises, the function of centrally planning and distributing products according to the state order products list, the determination of supply and demand for a limited component of the products list, and the making of balance calculations at different management levels are being automated during the first stage. As a result, the information servicing of specialists in the logistics agencies will be considerably improved.

The priority and integrated equipping of the more prepared departments in USSR Gossnab, territorial agencies and wholesale trade enterprises with computer

equipment, which operates in local networks, is also being planned for this same period. The test operation and introduction of automated systems at the territorial level will be completely carried out in several regions.

During the second stage, the functions of the automated system will embrace the establishment of a single information base for production and technical products and of an interconnected common information system for the country. The establishment of computer networks in USSR Gossnab, the union republic gossnabs and territorial agencies and the combining of them into a single USSR Gossnab global automated control system will complete it.

Finally, the third stage will be marked by the establishment of a marketing system for servicing the users of production and technical products.

It is necessary to mention that we are not starting from zero. Work on the system has already been underway for a long time at the territorial level. In 1987, the task of registering the availability of stocks in wholesale trade enterprises according to a selected products list, which included approximately 700 designations of metallurgical, machine building and chemical products, was worked out and introduced in the Leningrad and Kemerovo main material and technical supply administrations and the Belorussian SSR Gossnab. The GVTs [USSR Gosplan's Main Computer Center] has established a data bank and provided the territorial agencies with an opportunity to use it. Program support for the computer centers of the territorial agencies in compiling operational reports on the availability of stocks was been developed. A combined department for monitoring and regulating USSR Gossnab supply jointly with the GVTs and NIISU organize the training of personnel on the system for managing and monitoring the territorial agencies and their computer centers.

Starting with the third quarter of last year, the data bank was replenished twice a month and, starting in the fourth quarter, the USSR Gossnab GVTs has received data daily and is ready to reply by teletype to any territorial agency on the availability of stocks for a designated product within three-five minutes.

Today, we must accurately understand that the future automated control system is an effective instrument for wholesale trade. The material and technical supply automated control system will function reliably and we will be able to combine seemingly incompatible factors: freedom of trade and unobtrusive and constructive monitoring of its processes; wholesale trade will begin to expand confidently. Of course, the concern for the material and technical supply automated control system cannot be only a matter for persons directly engaged in the system's establishment and operation. That is why we would like this article to serve as an invitation to search for solutions to the problems that are arising.

Today, management is not a cumbersome, obtrusive and command administrative type but a sensible and purposeful one—the most important factor in intensifying the economy. Any search in this field is beneficial and will be transformed into an effect after a certain time. Yes, one cannot avoid risk and possible mistakes here. However, when selecting future management avenues, "obviousness" and the intuition of one or several persons—even if they are guided by the best intentions, are not sufficient now. The emancipation of collective thought is necessary. Ideas, which contribute to a qualitatively new state in the commodity market economy taking shape today, are required. We are waiting for them from scientists and specialists on the economy and management and from practical workers in material and technical supply.

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## FUELS

### Kazakh Oil Industry Ills Listed

18220167 Moscow KOMSOMOLSKAYA PRAVDA in Russian 14 Jul 89 p 2

[Article by A. Lapin, KOMSOMOLSKAYA PRAVDA correspondent, Kazakh SSR: "Pirates in the Steppes"]

[Text] "Come out! We will beat you up!" they shouted into the barred windows of the boiler room. But the workers on duty, who were concealed behind the heavy door, did not open up.

Then one of the lads brought a bucket of gasoline. He splashed it through the tiny window. He threw a match. The flame shot up with a rumble. Frightened cries came from the boiler room....

Then they rushed to break machines. They broke glasses, the instrument panels. In a blind fury, they wrecked everything they could put their hands on in the cabs....

So it was with fighting and arson this past March that the regular trip to the discotheque in the tour-of-duty settlement of Tengiz ended for the lads from Karaton, which is in Guryev Oblast.

"Out of vandalistic motives," the local newspaper responded in the usual way to this case. "Out of nothing to do," the local workers said. "Out of stupidity," the parents said. And each one was right in his way. This very diversity of opinions confirmed that there is no straightforward answer as to the causes of what happened....

Karaton, a settlement located in the semiarid steppe, is no oasis. On the outskirts, the gusty wind drives the greasy sand of the sandhills. Alongside them are the rockers of the petroleum pumps. In the settlement itself, utility mains are laid on the surface, the little windows of dilapidated houses squint at you, and the walls of the daub-and-wattle huts are peeling. No asphalt, no sewer system, no water supply.

The first feeling: time stopped dead 50 years ago in these parts. That is when petroleum was found here. People came—Kazakhs, Russians, Germans, Tatars. They built things in a hurry—according to the lights and the standards of that time. That is the origin of the settlements of oil field workers—Karaton, Dossor, Kulsary, Koschagyl, Munayly....

The war came and went. The fields were operating fine. People lived on promises of a bright future. Even the ministry for whom they pumped the petroleum in these harsh parts simply began to forget about thousands of its loyal subjects. What is more, new names began to thunder in the country, Tatar ASSR, Western Siberia....

Gradually, these areas became a lost world. And all of Guryev Oblast became a kind of reservation where homo sapiens literally was being tested for survivability.

Today, the living conditions here are such that anemia, typhoid fever, and viral hepatitis have become commonplace. At the present time, there are more than 4,000 tuberculosis patients in the oblast. One out of every four of them has the manifest form.

"But what can medical people do when there is not even quality drinking water?" T.Ye. Chaklikov, chief physician of the oblast sanitary-epidemiology station, said when we talked to him. "And our own facilities? In the rayon center, Kulsary, this is how they built the children's polyclinic. They lined up the wagons in which the construction workers had been living, and they faced them with brick. And this when we have extremely high infant mortality."

All the participants in this story were born and grew up in this region. The kids from Karaton, Seri Korshinbayev, Bekbulat Yesenomanov, Abay Uzakpayev, and many others. How did they live? Like everyone else!

Where did the resources of this region go? Where is the profit with which to build houses, lay water lines, pave settlement streets, purchase the necessary teaching aids for the school?

"For many years, we were producing petroleum in this region," V.S. Voyzhanov, chief of the administration of "Kulsaryneft," said with shame. "But the ministry always took the money away from us. And now we get the leavings."

For long years, we have convinced ourselves and others that monopolies exist only in the West. But in our own country the gigantic departments have simply divided up all the spheres of life and long ago dictated their own laws to everyone. The fate of the Guryev petroleum workers is no exception. It is simply that the inhuman character of this kind of economy has shown up most vividly here because of certain circumstances.

"Departmental dictate," says N.A. Nazarbayev, chairman of the KaSSR Council of Ministers and now first secretary of the Kazakhstan CP Central Committee, in his speech at the Congress of People's Deputies, "had the result that our republic, extremely rich in its raw material resources, which are in high demand on the world market, has ended up in a most serious situation in its social development and on the edge of environmental crisis. Operating like a bull in a china shop, the ministries have devastated the Aral Sea. Ekibastuz is showering the steppe with ash. Petroleum is not serving those who produce it."

Tengiz means "sea" in Kazakh. That is what this sandy plateau was called by the nomads who inhabited it since ancient times. They called it that without suspecting how close they were to the truth. At the end of the seventies, the entire world knew that a sea of petroleum and gas was located beneath the sea of sand. New deposits are located alongside the country's industrial centers. Their reserves can perhaps only be compared to the reserves of Western Siberia.

So, it is now perhaps for the first time in their lives that the old petroleum workers of Tengiz have seen what could be done with that money which they give up to their own ministry. Tengiz, a settlement of tour-of-duty workers, grew up in a few years alongside dying Karaton. I have also visited it. After the daub-and-wattle hovels and anemic children, it seemed to me that I had fallen on another planet. The little box-shaped Finnish houses are all different colors. The buildings under construction are faced with pink coquina. The luxury apartments of the officials have been tastefully furnished with imported furniture, telephones, and air conditioners. There are new "Ikarus" buses transporting the shift workers. Grand secretaries brought in from the Big World. Helicopters, limousines....

So what, is it so bad that concern has been shown about the tour-of-duty workers? But see how it is for those who have been living here all the time. They have been working for Minnefteprom for 20-30 years and often do not even have drinking water?

You can imagine what a young man feels when he comes to the tour-of-duty settlement and feels like a poor relative of the rich newcomers. What is more, he knows that at present there is no place for him here.

"Our young people do not have the skills to work on the drilling rigs," people said to me in telling about the state of affairs in this area. But skills, this after all depends in large part on general sophistication and culture. If a child cannot learn anything in school, if his life is confined entirely to the most primitive interests, and the general level of development is low, can he master a sophisticated occupation? So the result is that the department, while taking away the funds necessary for development of manpower, is thereby working against itself. It is absurd: Minnefteprom is compelled to bring in about 19,000 tour-of-duty workers from other regions of the country, spending enormous amounts of money for that purpose. And now in Guryev Oblast about 18,000 able-bodied people do not have employment in socialized production!

It is hard for an ordinary citizen to figure out immediately who is to blame for his troubles. If there is not enough meat, his neighbor ate it. When there is no soap, it was given to friends. And since the ministries are located in Moscow, that means that the Russians are to blame. It never occurs to people that a bureaucrat does not have a nationality.

Favorites have always operated on the principle: *apres moi, la deluge*. The years go by, but the principle remains. Tengiz is no exception. They have begun to conduct operations here by the most piratical methods. First, they did some drilling, and then they conducted scientific research.

The accident at Well 37 did not slow them down. At that time, hydrogen sulfide burst to the surface and burned. For more than a year, the monstrous flare burned, visible for tens of kilometers on the ground and for hundreds of

kilometers from space. Hundreds of thousands of migratory birds flew to its light. They flew and died in the flame....

Foreign companies have also come into the steppes near the Caspian Sea today. They also need petroleum. The reference is to creating in this oblast the joint enterprise "Tengizpolimer," which is to begin refining petroleum.

However many responsible officials I asked about the consequences of this construction, no one was able to tell me anything very clear. Everything, they said, is being decided in Moscow.

But if these people cannot evaluate a specific project, then they must at least know the principles which the Western firms are using. And they are simple ones. Now, the firms are moving dirty production operations from their own territory onto the territory of the developing countries. The waste, the discharge, the soot, do not reach them, they take back home only the clean product.

What is more, we need to study most closely the future market which we intend to enter in the year 2000 with our products. Because the attitude toward polyethylene and certain types of plastics is changing very rapidly throughout the world. They are now considered dangerous pollutants of the environment. So that it could turn out that we invest our labor and money, and the product is not in demand....

The fight against the monopolism of departments is being waged in different ways in different regions of the country. In Kazakhstan, the first step was taken by an entirely official department—the republic's goskompriroda.

"After we conducted an expert environmental evaluation," we were told by M.I. Zharkenov, deputy chief and chief KaSSR state inspector for natural conservation, "we came to the conclusion that operations in Tengiz and Karachagak had to be shut down."

Goskompriroda dealt a blow to the most sensitive place—it proposed that the bank terminate the financing of drilling operations.

I will not describe all the ins and outs of the struggle that developed. It included telegrams marked "Governmental," numerous documents were written, and certificates were issued. Meetings and conferences made a lot of noise. Local soviets and the republic government became involved in the struggle.

This April, a conference was held in Guryev Oblast to discuss the draft plan for development of Kazakhstan's petroleum industry. It resulted in a protocol signed by the leadership of the oblast, the republic, and USSR Minnefteprom.

In the 13th FYP, the ministry intends to increase capital investments for nonproductive construction and bring their volume up to 1.2 billion rubles. The decision has

been made to increase construction of housing, kindergartens, polyclinics, and hospitals.

A turnaround has been outlined. But the entire fight over the monopolism of the department still lies ahead. The first really big step along that road will be approval of the state budget. The future of restructuring, the future of our economy, depends largely on how the deputies approach this most important job. I think that at this point it will not be so simple for the ministries to take billions from the treasury.

The report delivered by N.I. Ryzhkov, chairman of the USSR Council of Ministers, in the First Congress of People's Deputies contained the announcement that the draft of antimonopoly legislation is being prepared in the country. Should this law be adopted, it will be yet another step on the road toward overcoming the omnipotence of the monopolies.

But the main step is, of course, expansion of the rights of the republics in economic life. If all these measures are brought to their logical conclusion, we can hope to be able to restrain the appetites of the departments and force them to work for the interests of the people.

But how about SERIK KORSHINBAYEV and his friends? Their fate also depends on how restructuring goes. Only it can answer the main question—whether the Kazakhs, Russians, Tatars, Germans, Lezgins, and Uighurs are to be masters on their own turf? Or will this right remain with the monopolies?

After the article above was written, the teletype tapped out alarming new reports: collisions occurred between the newcomers and local population in the city of Novyy Uzen in Guryev Oblast. They were incomparably larger than in March. People were killed and wounded.

There can, of course, be no justification for outrages and brutality. But the explanations for conflicts of this kind are obvious. Groups of young people went out into the streets of the city shouting the slogans: "Give us work!" "We demand a fair distribution of goods!" A curfew has been adopted in the city....

### Plans to Shut Depleted Coal Mines Criticized

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[Article by PRAVDA special correspondents V. Goncharov and B. Glotov, Donetsk—Moscow: "Without the Right to Choose—The Ministry is Trying to Decide the Fate of the Unprofitable Mines in the Donbass"]

[Text] *Things are agitated today in the mining settlements of the Donbass. At first there were rumors creeping around that the Donetsk coal is too expensive and that, they say, they will ship large volumes of cheaper Kuzbass or Kazakhstan coal to the Ukraine. And just before May, like snow out of the sky, they closed the Nizhnyaya Krynka mine at Makeyevka, No 11 at Donetsk and a*

*number of others. People are asking in bewilderment if this is the beginning of the end of the Donbass.*

We asked that question of the first deputy minister of the USSR Ministry of the Coal Industry [Minugleprom], A. Fisun, a man who knows the Donetsk region from more than brief business trips—he himself worked there many years in various positions.

"No, the Donbass has been, and will remain until the end of the century, the main boiler room of the country," Aleksandr Petrovich reassured me authoritatively. "And its annual capacity will effectively be maintained at the level that has been reached today. The fact that some mines are closing is a natural process of the depletion of older stock."

And right here we found out that economic accountability [*khozraschet*] was the catalyst for this process. The economic reform has forced the ministry, they say, to decide the fate of each enterprise of the Donbass. The criteria for evaluating the potential capabilities of the mines were their age, technical and technological sophistication and the technical and economic indicators of operations that have been achieved. It was namely these factors that laid the foundation for dividing them into four groups. The first group included new enterprises equipped with modern equipment. The attention of the industry headquarters toward them is also enhanced, as they said to us. Capital investments also go there for the completion of second phases. Here is the principal field of battle for coal: they must bring the giant mines to planned capacity more quickly.

The industry center has relegated to the second group the mines that still have good coal reserves but are operating, as they say, at a middle level. A particular program of technical and technological retooling and the construction of new shafts and levels is projected for each in order to raise the return on them. It is expected that the expenditures here will be recouped a hundredfold: production could be raised by 20-25 million tons a year.

The third group of mines are those that will lose their yields from year to year while working their reserves. And, finally, the fourth group—it includes some 21 enterprises in Donetsk Oblast alone—are the "old-timers" with low labor productivity and high coal cost that are reaching full age. Do they really withstand the test of economic accountability? In general, their fate is already pre-ordained. They will be closing in the near future.

Such in brief are the new concepts of Minugleprom in relation to the fate of the Donbass. Everything in it is seemingly correct. Only one thing makes you take guard: these concepts were born in ministry offices without a "tryout" in the mining environment itself, without advice from people about what to do with the mines that have one foot in the grave, without attempts to decide their fate otherwise—to improve their economics. It is namely that, as we understood it, that has darkened the mood of many miners. It is no joke: twenty-one mines

are under threat of closing. Plus the unpromising enterprises of the third group. Dozens of mining settlements will cease their development at the same time.

You become familiar with these plans of the ministry and you marvel: it demonstrates once again a very real command-administrative style of work. The bitter experience of dividing towns into promising and unpromising, bringing terrible consequences, is being transferred herein to the coal industry. So many articles have been written about this! Can they really not have read them in the tall building on Kalinin Prospect in Moscow, where the Ministry of Coal is housed?

The misfortune of the Donbass is that each region here did not develop according to strict urban-development plans. A mine was born and a settlement clung to its waste heap. Whence the reverse process is also inevitable: the closing of the mine extinguishes all life around it. As it has died out, say, around the former Vodyanaya No 1 mine in Dobropolskiy Rayon. Imagine a settlement drowning in gardens, in the middle of which stands a school for 520 students. And there are just 280 pupils in it. Next to it a dormitory for 65 people in which there are living 25. You look at these empty high-quality buildings and recall the mute monuments to our past economic confusion—the surface facilities of former Komsomol mines thrown into the Donetsk steppes. Can it really be that everything is coming full circle?

We visited the mining town of Mospino, the whole economy and life of which was maintained by the sole Mospinskaya mine here, now unpromising, and by the technological chain of the enrichment mill linked with it. What will happen to it tomorrow?

"Some 17,000 people live here," says the deputy chairman of the city ispolkom, S. Komarukhin. "The mine's balance sheet includes three kindergartens, a hospital and two schools. I can't imagine how the life of the people and the city will take shape here if the mine closes."

"One of our heading men got an apartment in Donetsk, 30 kilometers away. He wanted to get a job closer to his new home, but he wasn't able to. He went around to all the mines, they're not hiring," related the chairman of the mine labor-collective council, V. Yarov. "So every day he goes there and back, losing four hours a day to the disgraceful operation of our passenger transport."

"Soon we'll be turned into such touring artists as well," one of the miners answered him. "And we still have coal. We could work a long time."

Many people we spoke with told us that there are reserves of coal at the unpromising mines.

*For the consideration of Minugleprom: the coal reserves at the 21 unpromising mines of Donetsk Oblast total 220 million tons for group four alone, and their daily production is 8.2 million tons. How can that loss be replaced today? The projected modernization of the promising*

*mines, after all, and the start-up of the second phases at new enterprises will inevitably be dragged out.*

It is not a matter of age for the majority of these enterprises—they have coal enough for many years of operation—but rather of the poor economic results of labor and their unprofitability.

But you will agree that both the technical policies of the sector and the attitude of the ministry toward the fate of the basin are both reflected in the operation of these enterprises as in a mirror. One can scarcely accuse the miners of a devil-may-care attitude toward their business. They have shown true heroism in work under the most difficult geological conditions. But good equipment is needed, say, to work thin seams well. And unfortunately there is none. Even though the ministry long ago laid hands on the coal-machine building industry. Matters have gotten very complicated. Having proposed nothing new for anthracite seams, the machine builders are today urgently assimilating the output of Donbass postwar-model combines. The output of Kirovets combines, it turns out, was curtailed prematurely—no equal-value replacement for it has appeared. No few such examples could be cited.

*These numbers also tell of the attitude of the ministry toward the Donbass: the volume of capital investment in its development has been reduced considerably in recent years. The construction of 73 facilities was halted and they were mothballed this year in Donetsk Oblast alone, among which were no few mine levels, a total of 89 million rubles. The capital investments for next year have been reduced by almost the same amount, as we were told at Glavdonetskugol [Donetsk Coal Main Administration]. The prospects for maintaining coal extraction in the basin are thus becoming exceedingly problematical.*

What is the way out? Many with whom we spoke on this topic see it via granting complete independence to the miners—in reality and not just on paper—in deciding their own fate and genuinely converting labor collectives to full economic accountability. Life itself will force many to get themselves out of the danger zone. Today's reaction in Donetsk to the directive of the ministry to close the "unpromising mines" testifies to how it will be as well. "No one is taking production away from us," grieved the chief of Glavdonetskugol, N. Surgay. "We will thus close just 7 mines—basically from among the makeup of the mining administrations, transferring their mining facilities to the lead enterprises. And we will still fight for the rest."

But that war, whatever turns it takes, should be for one thing—for a rapid rise in the efficiency of production. We believe that the threat of closing for some and the problem of preserving planned production for others are also good stimuli for developing initiative. This is testified to by the experience of the Torezantratsit [Torez Anthracite] Association. Here is what General Director V. Malov has to say to us: "Beginning in 1973 we were to close 12 old mines that had worked out their commercial

reserves. Then only three coal enterprises would have remained in the enterprise. The fate of two mining cities—Torez and Snezhnoye—would have been in doubt at once. Thousands of people could have lost their work. But that did not happen. How were we able to prolong the life of the mines? Thanks to the initiative and creativity of our engineers, innovators and inventors. We went for the so-called off-balance-sheet reserves of coal whose working had not been envisaged.

"Is it difficult to work? Of course. Imagine a drift where the thickness of the seam is equal to the palm of a hand placed over it... Much had to be devised so as to get that coal. We solved that difficult task. Life forced us to. And whereas our reserves totaled 200 million tons in 1970, today they are equal to 215 million tons. Last year we received about 67 million rubles of profits, of which 14 million were beyond the plan.

"Output by man-shift for the association, by the way, is 31 tons a month. There's some unpromising mines for you. And after all, we tried so much to prove to the ministry that they should not close our mines yet, that there is coal here. We stood to the death, as they say. Otherwise the cities would have perished."

So think about it now: what impelled the Torez people to seek the keys to off-balance-sheet reserves of anthracite, keeping not only production but economic indicators up as well? What incentives were triggered here? Let's be candid: the fear not only of being without jobs themselves, but for the fate of thousands of people who could end up unemployed in their own native city, weighed heavily on them. The administrative-command system simply provided no other incentive in such a situation.

But the times are different now. Economic interest is becoming the engine of initiative everywhere—a way more powerful incentive. But then it is also essential to pose the question of granting every mine complete operational economic independence, and to create major associations on voluntary principles instead of today's production associations.

*For the consideration of Minugleprom: The reasons for the unsatisfactory operation of the mines were analyzed by a prestigious commission headed by the former chairman of USSR Gosplan, N. Baybakov, in May of 1981 by authorization of the USSR Council of Ministers. The final information noted that the "worsening of the operation of the coal industry, especially in the development of mining operations, is connected to a considerable extent with drawbacks in mine management and the elimination of their operational economic independence, which has led to a weakening of engineering work." And this was the conclusion drawn: "The granting of full operational economic independence to all mines should be accelerated, and the role of the chief engineers and engineering services of the mines and associations increased."*

Why not now lease these same mines, so unpromising from the ministry's viewpoint? With their simultaneous

conversion to wholesale trade at contract prices? What are we afraid of? Let them work. The more so as many kolkhozes, sovkhozes, schools and children's institutions of the republic as well as the owners of private homes are operating literally on starvation rations of coal. And coke would not lie around in warehouses for long.

"An interesting idea. But no one has proposed such economic accountability to us," they reacted to this reasoning at Mospinskaya.

"What are you saying! A mine is a complex enterprise with a work face moving constantly underground. You never know for sure what lies ahead. Who would go for a lease under such conditions?" they spread their hands at Glavdonetskugol.

"There are already 200 leased fields in the industry. And every collective was thinking every month whether to sign the contract or not," said A. Fusin at Minugleprom.

Be that as it may, leasing is already making a way for itself in the coal industry. And we believe that it is namely independence and full economic accountability that will force the production workers themselves to seek new and more efficient forms for organizing operations. Already today some collectives are posing, for instance, this reasonable question: why are the enrichment mills separate from the mines? After all, in that case the owner of the commodity product ready for sale is the not the miner but the enrichment worker. They take the skimmings for quality coal. Isn't that why the mines chase after mountains of rock mass that contain an enormous amount of empty rock and not coal? This looks absurd even to those uninitiated in the fine points of mining. They object to us that many mills are group mills, they take in the rock from several enterprises at once. Then all of this subdivision could become—and under full economic accountability we are confident that it will become—a unified firm putting out a high-quality commodity rather than semi-manufactures. Isn't that so?

The potential of the miners of the Donbass has not yet been fully revealed. And this, it seems to us, is because three superstructures over the mines (in the form of the production association, the oblast main administration and the ministry) literally dispense elements of economic accountability for them in doses all at once, each hobbling the independence of the labor collectives in its own way. Officials are also deciding the fate of individual enterprises and the workers' settlements in which thousands of people live. Why aren't the miners deciding their own fate for themselves, how and what, how much and what administrative superstructures should be over the miners in this our time of democracy and glasnost?

Let demand and intelligent prices for coal also decide who should curtail operations and who should flourish. That is what the miners told us, believing religiously in the success of the economic reform. It is namely full economic accountability that will make the tug-of-war between the Kuzbass and the Donbass meaningless.



*For the consideration of Minugleprom: it is possible, of course, to close the unpromising mines of Donetsk Oblast today and compensate for the losses with the delivery of coal from the Kuzbass. Who gains from that? According to calculations made by the scholars of the Donetsk Economics Institute of the UkSSR Academy of Sciences, the annual losses from the current activity of these enterprises at the 1982 wholesale prices total 141.9 million rubles. And the spending on the transport of a compensating quantity of coal from the Kuzbass to the Ukraine, with a regard for the additional expenditures for unloading railcars in winter, will total an average of 155.1 million rubles a year.*

Truly, a cart is a farthing across the sea, but the ferry is dear.

The fate of the Donbass cannot be uncertain. It is connected with the vital prospects of hundreds of thousands of people that have devoted themselves to this difficult labor. And it seems impossible to approach the solution of the problems that have accumulated here hurriedly. We have to look carefully before we leap. Any mine with poor economic indicators can be closed. The task should be something else: to reach more productive operations even under the most difficult conditions. And we believe that many of the collectives of today's unpromising mines are up to it.

## ELECTRIC POWER GENERATION

### Post-Chernobyl Contamination Troubles Mogilev Residents

18220153 Moscow SELSKAYA ZHIZN in Russian  
20 Jun 89 p 3

[Article by SELSKAYA ZHIZN correspondent A. Gulyayev, Belorussian SSR: "A Voice of Alarm—'Protectors' and 'Alarmists'—How and Why People Live in the Zone Contaminated as the Result of the Chernobyl Accident"]

[Text] The cloud of the Chernobyl accident covered Mogilev Oblast as well. The party obkom has more than once demanded the resettlement of people from all territories where the contamination density of cesium-137 exceeds 15 curies per square kilometer. Roughly 270 villages with a population of about 30,000 in all. But it is not getting support from the government commission for eliminating the consequences of the accident. Its members feel that it is enough to evacuate some 76 villages in Mogilev Oblast.

The rivalry has gone on for over six months. Local authorities fear for the life and health of people, and the scholars with degrees and titles that were the principal authors of the concepts of safe habitation in the contaminated regions that were adopted as early as the first few months after the accident are trying to prove the unfoundedness of these apprehensions. A meeting was held recently between the oblast aktiv and a group of experts headed by the deputy chairman of the USSR

Council of Ministers Bureau for the Fuel and Power Complex, V.V. Marin. Summing up the results, V.V. Marin said that "We are alarmed by the moral climate in Mogilev Oblast. Everything is peaceful in neighboring Gomel Oblast, but here there are too many conversations about radiation."

And further: "Where people are engaged responsibly, exactly and skillfully with the problem, they are solving it. I have not felt any exactingness here. Only conversations that create panic."

It is more than three years now since the world became familiar with the word "Chernobyl." And for all these years something else has hovered nearby either visibly or invisibly: panic. "Don't panic!" warned the doctors who insisted on the immediate removal of children from the zone. "Alarmists!" they said to the journalists when we tried to relate the most essential cautionary measures in May of 1986 at least in regional newspapers and on local radio. "Favoring alarmism" they said at rayon committee buros, expelling from the party people who insisted on the normal desire to protect their children. The most crucial decisions had to be made in hindsight as a result.

And now we hear accusations of alarmism again. Scientists K.I. Gordeyev and A.M. Lyaginskaya of the Biophysics Institute of USSR Minzdrav [Ministry of Health] and N.K. Gasilina, a department chief at USSR Goskomgidromet [State Committee for Hydrometeorology], are once again guaranteeing the safety of living in the disputed zone. In their words, mortality and illness rates there have not increased. The frequency of anomalies has increased and a strain on childhood immunity has appeared, true, but this is for reasons not directly connected with the radiation. As for consequences more removed and the possibility of small doses of radiation affecting heredity, one of the experts, Doctor V.P. Kosenko from Chelyabinsk, has declared that she will take on the responsibility of guaranteeing that this will not happen!

How noble to take responsibility for the fate of hundreds of thousands of people! And it would be good if those thousands valued and were grateful to those who are taking on this burden and, as V.V. Marin expressed it, "calmly, exactly and skillfully" fulfilling the recommendations of the specialists. As they are doing, in his own words, in the Ukraine and in Bryansk and Gomel oblasts.

It is difficult for the author of these lines to judge the situation in the Ukraine or Russia. But in Khoynikskiy, Braginskiy, Narovlyanskiy, Vetkovskiy and other rayons of Gomel Oblast that were subjected to contamination, there is neither calmness nor satisfaction with the results of operations to eliminate the consequences of the accident. Perhaps there is calm in the hearts of the oblast leaders? The elections of USSR people's deputies, when there were twice as many votes against the candidacy of the first secretary of the party obkom than in favor, reflected the attitude toward that calmness in clear-cut fashion. Wherever you go, whoever you meet, people

everywhere have ceased to believe the scientists and are not relying on any guarantees. This was mentioned, by the way, by Krasnopol'skiy Rayon Committee First Secretary I.I. Titenkov at the meeting with the experts: "In 1986 the scientists tried to prove to us that there was no radiation at all in the rayon. We believed that and said the same to people. Then it became clear that there was some nonetheless, and quite strong as well. But the scientists once again explained that everything would be fine. Professor K.I. Gordeyev, present at the meeting, was saying then, in 1986, that the milk would be pure the next spring, and that he himself, Gordeyev, would come to the rayon and go into the woods for mushrooms and berries."

Once again party and soviet workers asked people not to panic. And after a year it became clear that the milk cannot be drunk, and the meat cannot be eaten either, the more so to go in the woods. That is probably why K.I. Gordeyev has not gone out into the woods with his little basket.

The physicians from Moscow paid a call again at the end of 1986: why haven't the children been sent to the clean zone yet? They promised to report to the capital. Maybe they did and maybe they didn't, but the children are still running around in the radioactive dust.

"They are sick all the time and quite weak," testifies L.N. Mitin, the chief engineer of the Slavgorod ZhBI [Reinforced-Concrete Products] Plant. "And you don't let them outside: the background radiation on one side of the house is 0.09 to 0.44 milliroentgens an hour, and on the other 0.04 to 0.23 (the norm is 0.02-0.03 milliroentgens an hour.—A.G.)."

"The background radiation in my bedroom is 0.43 milliroentgens an hour." This is the secretary of the party committee of the Krasnopol'skiy Sovkhoz, V.A. Petrukovich. "It's about a milliroentgen outside. The constant headaches are tiring."

So it is everywhere: weakness, headaches, strained immunity among children. Even the experts were saying that the frequency of anomalies has increased. True, this is caused, in their words, by a 4-5-fold increase in the quantity of nitrates in wells in the zone. And they have called for applying a little less mineral fertilizers. But how can that be if other scientists are demanding a 2-3-fold increase in them in order to obtain pure produce? A vicious circle.

But let it pass, the nitrates. Can we be healthy and raise healthy children in a climate of constant restrictions, when the sphere of habitation of the peasant is reduced to his household? He cannot go into the woods, he cannot catch fish, he cannot work in the garden, the children can't play in the sand... The one thing that has kept many in the village still, the wide and beneficial world of nature, has suddenly proven to be hostile to man and has blockaded him in a few meters of comparatively clean earth. And the children are shut up in the school for 12 hours a day according to all those same recommendations.

It is not surprising that in this climate, people do not believe the fine statistics of Minzdrav that the newspapers are publishing today. And they are speaking more and more of another statistic, which is worse but looks more like the truth. It made itself felt at this meeting at full force, by the way.

BSSR Academy of Sciences Vice President A.V. Stepanenko, in the name of 10 Belorussian scientists, read to those attending a document according to which the sickness rate of adults compared to before the accident has increased by 2.4-2.8 times in Gomel Oblast and 1.8-2.1 times in Mogilev Oblast, and the rate for children is up 4.1-4.9 times in Gomel Oblast and 3.5-4.1 times in Mogilev Oblast for the same period. Increases were noted in chronic bronchitis, ischemic heart disease, diabetes and struma maligna. The illness rate of pregnant women is growing.

Panic too? But why should people believe Marin or Ilin and not Stepanenko? Enormous amounts of money have been invested in the "zone" according to the recommendations of them and others. Over 100 million rubles have already been invested, for example, in the territory of Mogilev Oblast from where they will have to be moved out today. It is difficult to assert anything for certain, of course, but wouldn't it be logical to suppose that today's assurances and guarantees are no more than an attempt to justify their own mistakes of yesterday?

No one intends to deprive the scientists of the right to argue with each other. Only one route should be ruled out—experimenting on people. Because these people have the right to decide their own fate in the way that they, and not the Biophysics Institute, feel is necessary.

Two conditions are essential to realize that right. First, complete information—it is namely that, by the way, that the local authorities are seeking when they invite experts. Second, the opportunity for those that feel it necessary to quit these places.

Things are not so smooth with the first conditions and entirely bad with the second. After all, only the residents of those 76 villages that the experts have indicated will be able to leave. Otherwise you won't be reimbursed for your losses. And the amount of the insurance, and just for the house without regard for other structures, constitutes about 40 percent of the overall value of the household. And the homes in these regions, as a rule, are decrepit and don't cost much. Try and get by in a new place with the miserly sum that Gosstrakh is promising with reservations.

A trap—that's what this is! An attempt once more to solve truly complex problems at the expense of those who did not create them.

A most typical example is the problem of individual dosimeters. As the chief engineer of the Isotop firm, V.P. Nesterov, explained at the meeting, they could have been here long ago, had not Minzdrav at the very beginning

not permitted doing so... once again to avoid panic. Then MVD [Ministry of Internal Affairs] began to worry that this would somehow impede them in fighting crime...

Our newspaper has related all of this already. And no particular changes have occurred over recent months. And how could they occur if the chairman of the Supreme Soviet of the republic, G.S. Tarazevich, only recently, three years after the accident, visited the "zone." He asked people many questions. The president of Belorussia was surprised and asked that he be given two weeks—everything will be resolved...

"This answer," related the director of the Znamya Sovkhoz, I.M. Maksimenko, "elicited the concerted laughter of those present. The fact is that all who come here promise to investigate in namely two weeks. And all to no purpose."

The government of the republic finally developed a draft for a comprehensive program to eliminate the consequences of the accident at the Chernobyl AES [nuclear power plant] for 1991-95. We open to page 57, clause 7.7: "...to bring the dairy herd out of the zone of 15-40 curies per square kilometer." From the same zone over which debates are being conducted. The dairy herd, as we see, is lucky, but as concerns people—we still have to fight for them.

God, what a tangle of departmental indifference, formalistic decisions and neglect for those who have suffered misfortune! Can it be that no one will say what should have been said without fail three years ago: people, decide for yourselves where to live and what air to breathe! If you wish, receive compensation and go where able hands are needed. Because here the state cannot guarantee your health and does not want to encroach on it. Wherever you may live—be happy!

People have been waiting for these words for three years. Isn't that a long time? Perhaps it is time for the public, tired of appealing to the state for charity, to mobilize the resources of individual mercy and create a fund to aid the victims of Chernobyl? The Journalists' Union could full well act as the founder of it—after all, it is we who tore through the conspiracy of silence surrounding this subject, and our persistence and unyieldingness are at the heart of many of today's decisions. Let us all display these qualities through to the end!

## PIPELINE CONSTRUCTION, OPERATION

### Kuybyshev Pipeline Incident Detailed

18220164 Moscow SOVETSKAYA ROSSIYA in  
Russian 14 Jul 89 Second Edition p 6

[Article by A. Solarev, Kuybyshev Oblast: "The Way Slovians Do It"]

[Text] The railroad station Alekseyevskaya. At first, a quiet nondescript place. In spite of the heavy traffic, only

the local electric trains stop here. Nearby, the quiet Samara River with its densely overgrown banks, where in this season there are always a great number of people enjoying the outdoors and fishermen with their rods. The landscape has changed somewhat in recent days. Every so often along the shore you encounter a dead fish, and approximately a kilometer from the station there is a flame shooting up exactly in the middle of the river. Only these two details are reminders today that a few days ago a repetition of the Bashkir disaster was right on the verge of happening here.

A suffocatingly hot day drew toward evening. It had already become slightly cooler when a launch turned into the shore exactly opposite the railroad station Alekseyevskaya on the Kuybyshev Railroad. The rivermen were notifying I. Gaynulina, shift chief, that they had damaged the pipeline while doing the work of laying a pipeline in the Samara, a kilometer from the station. A gusher of gas 4 meters high could be seen right in the middle of the river.

At this point, Gaynulina herself realized something bad. There was suddenly a strong smell of gas in the air. She rushed to the telephone. She called the police and firemen in Kinel, the closest junction, which is 11 kilometers away. Incidentally, neither of them came. Irina Yakovlevna also related what had happened to the dispatcher of the Kuybyshev section of the railroad. In a short time, the dispatcher's order came in over the railroad telephone system: "Movement of trains on the Kuybyshev—Kinel section is suspended until further notice."

In about an hour, at 2050 hours, the operational team of the Fire Control Administration, headed by Major V. Tolkachev, arrived from Kuybyshev. But they were unable to approach the landing by boat—the gas had spread around in a suffocating cloud. The emergency crew also arrived from the Middle Volga Trunk Gas Pipeline Operating Administration. They determined that the damaged pipeline was not in their department. They notified their dispatcher of this and...they went away: it is not our job, they said.

Only after several hours could it be established that the damaged pipeline, more accurately petroleum product pipeline, belonged to the Novokuybyshevsk Petrochemical Combine. Isobutane, which mixed with air forms the extremely explosive gas that was the cause of the tragedy in Bashkiria, was flowing in a pipe 150 mm in diameter under a pressure of 30 atmospheres from the combine to the Togliatti "Sintezkauchuk" Production Association.

FORTUNATELY, no ChP [extraordinary event, accident] occurred.

According to preliminary calculations, the railroad alone suffered a loss of 1 million rubles because of train delays. But who is to calculate the damage done to nature? Poisoned pike perch and pike, bream and ide, perch and roach floated to the surface of the water in such quantity that even the erstwhile fishermen were amazed: they did not suspect that so many fish were left in the Samara.

It was left to the inquiry to name those responsible and determine the full damage. First, the personnel of the oblast procurator's office spent 3 days on this accident. But when they concluded that the product pipeline had been damaged by the floating crane of the RSFSR Ministry of River Fleet, they "threw back" the case to their counterparts in the transportation procurator's office. That's the way to "pass the buck." The Kuybyshev transportation procurator P. Burtsev is unable to say anything definite about the causes of the accident. But in an interview he did nevertheless say that the blame can be laid to our slovenliness, negligence, and irresponsibility, which have become typical.

Will conclusions be drawn from what happened? Time will tell. Yet the most resolute conclusions are necessary. The territory of Kuybyshev Oblast is traversed by a multitude of petroleum, gas, petroleum product, and other pipelines. Every one has its protected zone. But the trouble is that the authorities under the local soviet and managers in the economy do not care a whit for those zones. Here is what A. Shurygin, engineer in the operations department of the Volga Administration of Trunk Petroleum Pipelines, has to say:

"For many years, we have been waging the most stubborn war against certain departments and rayispolkoms. Close to the rayon center Pokhvistnevo the local 'Selkhoztekhnika' and 'Selkhozkhimiya' are building their production facilities in the protected zone of the petroleum pipeline. The rayispolkom issued its permission for this. It is horrifying to think what could happen if the petroleum leaked and caught fire. We have asked both the rayispolkom and the procurator's office to prohibit construction in the protected zone, but there have been no results.

"Novokuybyshevsk is another example. Last year, Construction Trust No 25 and the association 'Kuybyshevnefteorgsintez' were allotted pieces of land for collective

weekend cottages in the zone of trunk petroleum pipelines. The technical specifications call for the weekend cottages to be built at a distance of 70-100 meters from the pipeline. Moreover, a protective berm and petroleum collection pits are to be built. But actually the cottage plots have been laid out only 30-50 meters from the pipeline. They still have not begun to build the protective berm and oil collection pits. Should there be an accidental spill of petroleum and petroleum products here, a river of fire would spread in an instant. For example, that is what happened in the village Timoshkino in Ryazan Oblast."

A. Shurygin is backed up by V. Mikhnovich, chief engineer of the Middle Volga Trunk Gas Pipeline Operations Administration:

"The situation is no better with us. I will give just one example. In the area of the settlement Staro-Semeykino, gas is moving through pipes under a pressure of 55 kg/cm<sup>2</sup>. Yet the Krasnoyarskiy Rayon Ispolkom issued permission for the placement of garden plots in that gas pipeline's protected zone. And some cottages are standing right on the pipelines. One of the documents of the rayispolkom states without beating about the bush: 'Locate the weekend cottage development of the Kuybyshev Aviation Institute in the protected zone of the gas pipeline.' We have written repeated letters to various official agencies—ispolkoms, all the way to the oblast, and the procurator's office—all to no avail."

Yes, the accidents on the pipelines have so far spared those along the Volga. Nevertheless, the fact that they have been operated for a quarter of a century means something: the pipes are getting old, time takes its toll. No one can issue a guarantee now that the pipelines will operate without accidents or that they will not be damaged accidentally, as occurred near the station Alekseyevskaya. Is it only then that the local authorities will stop and think? Does it take a tragedy to change their attitude toward these facilities, which represent a hazard?

### Banks Delay Wage Payments

18200415 Moscow ARGUMENTY I FAKTY in Russian  
No 28, 15-21 Jul 89 p 8

[Letter from reader A. Bystrov, senior scientific associate, Moscow, and response by P. Goncharov, manager of the Krasnopresnenskiy Rayon branch of USSR Zhilsotsbank]

[Text] *Payday was the day before yesterday. But our collective still has not received money. The bank says it does not have it. The workers of other enterprises have ended up in the same situation. We know that something of the kind is happening in the rest of the country as well. Why? (A. Bystrov, senior scientific associate, Moscow)*

**We called upon P. Goncharov, manager of the Krasnopresnenskiy Rayon branch of USSR Zhilsotsbank to answer this question, since the institute where the author of the letter works is located in its rayon.**

There is one reason why wages are not being paid in any region of our country and at any enterprise, since the circulation of money is unified.

The relations between two quantities—supply and demand—are regulated by what is called the cash plan, which is compiled for each administrative area, all the way up to the rayon level. Ispolkoms of soviets of people's deputies bear responsibility for carrying out the cash plan.

The cash plan has an income side and an expenditure side. The former is made up of money taken from the personal sector (trade, rent, services, entertainment, payments), and the expenditure side consists of payments to the personal sector (wages, pensions, benefits, scholarships, and so on).

If it conforms to supply and demand, the cash plan is balanced and realistic. When that correspondence does not exist, there are no guarantees of that plan's fulfillment. In such a case, the population's trust of the state's guarantees to cover money becomes particularly important.

Inflationary processes have been developing in the country since approximately 1978, but the "extra" money beneath the mattress, which has not been covered by goods, has not had any essential impact on the circulation of money in the state, since every year about 20 billion "extra" rubles given to the population with the regular beating of the drum migrates into Sberbank [Bank for Labor Savings and Credit to the Population] accounts, and to an ever greater degree recirculates through the "black" and "gray" markets. From the standpoint of the state, balance is preserved—the "extra" money is given, the "extra" money is taken away.

In approximately mid-1987, purchases of imported consumer goods began to drop off, the volume of state supply of goods to cover the money supply began a

steady decline, and confidence in the backing and unchangeability of the ruble began to decline.

"Quasi-treasuries"—money stashed in "the sock," entered the monetary circulation and worsened still more the relation between the mass of commodities and the cash which is its counterpart.

An economic paradox begins to operate: the more cash there is in circulation, the scarcer it becomes, since the route of its circulation corresponds less and less to the labyrinths of the movement of "official" state commodities and services.

The "black" market, speculation, and all those antisocial things that go along with "bad" money have been developing at a very rapid pace. The popular idea that cooperators are to blame for everything does not correspond to reality. What is to blame for everything is the habit of living beyond our means and to a considerable extent by borrowing from individuals.

The problem arises: there is a great deal of "extra" money, but it is escaping the state and going to the "black" market. Payments have to be made to individuals, but there is no cash. Turn on the printing press? The money printed "flees" to that same "black" market at a gallop, and the problem becomes still more acute.

There is one way out—quickly to find something to sell to the population, to sell it quickly, and to physically destroy the "extra" money, to restore the balance.

We are unable to do anything quickly, so we go the usual way: whenever we need to obtain more money, the income side of the cash plan increases, and so as to give out less, the expenditure side of that same plan is reduced.

At the end of every quarter, all the banks in the country become feverish—Gosbank is not supplying money; in other words, the printing presses are not being turned on. Sometimes for a day, sometimes for a week, the banks do not give out rubles to plants and factories, to cooperatives, and to mutual aid funds. Passions rage, the first day of the new quarter comes, and all the "debts" are paid off—the banks give out everything they owed.

This practice cannot even be called a tactic—it does not essentially solve the problems of circulation, but only makes it possible to deceive ourselves "as to the situation on the first day of the quarter." All it does is to accumulate the proceeds from trade for a few days and force people to come for their money "after the first."

Until a vigorous financial policy is conducted in the country, until we decide to sell to the population everything people want to buy, the problem with payment of wages from bank coffers will increase.

### Anniversary of Law on Co-ops Noted

18270119 Moscow KOMSOMOLSKAYA PRAVDA in Russian 1 Jul 89 p 2

[Article by I. Savvatayeva: "What Lies Ahead for the Cooperatives?"]

[Text] I recall that it all began boisterously and gaily—here we go!—the most venturesome rushed into the unpredictability of the economy with the courage and confidence of trailblazers. The Law on Cooperatives opened up unusual and unprecedented possibilities. Economists and lawyers described it in unambiguous terms: "the most progressive law since the time of the NEP."

But here a year has flown by. And—strange as it may seem!—the shelves of our stores are not at all loaded to the breaking point with an abundance of goods from the cooperatives. The cooperative has not justified itself—we hear more and more often and ever more categorically.

Has not justified itself? Yet that same year, 1988, it did nevertheless produce 6 billion rubles worth of goods and services, and did so without a single ruble from the state budget for "incentives," "development," and "growth." That more was expected is another matter. Six billion is less than 1 percent of the total volume of consumer goods produced. Why were the hopes not justified? Let us try to sort it out.

So, at first there was noise, a sensation, euphoria, projects running into the millions. Those who ventured hurried to prove that they could do a great deal, they hurried to establish themselves in their new role, quite often presenting wishes for reality. They did not have much experience (indeed, where could it have come from), but in general things progressed: the Riga market is essentially an indicator of the cooperative movement and was rather quickly saturated: "bananas," costume jewelry, shoes, and blouses. Cooperatives of builders and inventors sprang up, even the first cooperative airline (in Latvia).

But at the same time an operation developed that was formidable in its scale and which someone aptly christened "the bureaucratic racket."

This struggle was, however, a fragment in the general opposition between democratic and conservative forces in society. One can judge how successfully democracy has been advancing (or retreating) on all fronts—economic, ideological, and political—from what was happening in the cooperative itself and around it. The bureaucrat and the cooperator seem the whole time to have been saying to one another: you do that, and this is what we'll do!

Two weeks had not passed since publication in the press of the draft of the Law on Cooperatives, when the Presidium of the USSR Supreme Soviet passed the stifling Ukase on Progressive Taxation of Cooperators.

The absurdity was so obvious that it profoundly disturbed not only the cooperators themselves, who were not numerous, but even the general public. The public objected determinedly, and...it triumphed! Quickly, and I think even it was surprised.

But in everyday life no one felt like celebrating. What the bureaucracy could not get one way, it would get some other way. There has been and there is a chronic shortage of space for those who want to operate a cooperative—although in any city, beginning with Moscow, hundreds of houses are going to pieces in the absence of owners; and the number of vacant lots and places that have grown up through lack of attention is beyond counting. Banks did not issue the authorized loan, ispolkoms "worked" with charters for months...but the infinite problems of obtaining raw materials and equipment probably did more than anything else to quell the desire to become one's own boss. This was the usual procedure: the cooperator would go to the management of a plant or factory with his cap in his hand (although under the law, incidentally, he supposedly has the same rights they do), listens to insulting words about the numerous swindlers, and obtains for triple the price scrap which previously was thrown away or burned. But triple the price is still not bad. On the sly, the ministries established "coefficients" for acquisition of raw materials and supplies. For leather, they raised the price 600 percent for cooperators—which is why custom-made shoes cost 130-170 rubles in the cooperative. Prices on equipment were sometimes twice as high and sometimes even 10 times as high as the state price.

Incidentally, there have already been analogs of "actions" of this kind in our history. The 26 April 1933 Law on Prices of the Products of Industrial Cooperatives prohibited cooperators from exceeding a certain price level. State enterprises immediately jacked up the prices of raw materials: they sold rejects and production waste at higher prices than their regular products. By that time, cooperators had no opportunity to choose their supplier, retail and wholesale trade in resources had been curtailed. The results are well-known....

The situation in 1988 and 1989 differs only in that a maximum price level has not been set on the products of cooperatives. As a consequence, they have jumped up considerably (they could not but have jumped up!), and this caused a wave of dissatisfaction through the broadest strata of the population. The adverse attitude of the population and creation of conditions in which only infinitely patient people "with characters of iron" or adventurers who have no scruples could work, had the result that there were quite a few of the latter in the cooperative ranks.

But the situation has been changing rapidly. While out of inertia we have gone on talking about the swindling shish kebab stands, those who have been building houses and roads and doing sophisticated scientific-technical development projects have been advancing into the cooperative arena. And whereas the newspapers christened the

first cooperative plant in Nev'yansk a "miracle," such miracles have become commonplace since last fall.

But on 29 December 1988, the wave of cooperatives was broken by the decree of the USSR Council of Ministers entitled "On Regulating Certain Types of Activity of Cooperatives in Accordance With the USSR Law on Cooperation in the USSR," which prohibited and restricted about a dozen different types of cooperatives.

...So what in the end did we achieve with these prohibitive measures? First of all—another round of price rises. Many cooperatives, having lost all confidence about the future, decided to operate on the principle: take what you can before you are closed down. And here is the result: as much as 75-85 percent of income now goes for remuneration of labor. Lack of confidence about the future and the decisions which official agencies will be making are not conducive to investment of money in serious undertakings. It is just too risky: today you make an outlay to build a plant, and tomorrow they either shut it down or they impose an excessive tax on it.

The prohibitive policy has had the result that the structure of cooperatives that has formed in our country does not conform very much to the requests of the consumer, who is deprived as he was before. Only 20 percent of them are engaged in producing goods, 80 percent of them are in the consumer service sector, and only 9 percent are in the food service industry.

All of this is a consequence of the policy of "regulation." The 29 December decree is by no means as harmless as its advocates have been trying to suggest. By imposing prohibitions and restrictions, by making a number of cooperatives directly dependent on the respective state enterprises (read: by strengthening their monopoly), by granting to local soviets the right to cut back the cooperative movement further, the system has demonstrated that if necessary it will always be able to bridle those who are too nimble.

In February 1989, the Presidium of the USSR Supreme Soviet adopted the Ukase on the Income Tax on Cooperatives. This ukase, and this is true of a majority of the sublegal acts adopted concerning the cooperative, runs counter to the law itself and places the cooperative (for the umpteenth time) in a position where it is unequal to state enterprises; just like any citizen, they pay a tax on their wages, but in addition—and no other enterprises do so—there is a tax on all funds for remuneration of cooperators. And this at a time when the cooperative is just getting on its feet, and its plant and equipment does not compare at all to the equipment of the state enterprise. In this context it is strange to hear that "our cooperative has been placed in incredibly advantageous conditions...." All their "advantages" lie in the economic nature of cooperation itself, in the relative independence from arbitrariness, in the absence of the pyramid of superior authorities and a multitude of instructions (for the present!), and in the possibility of handling the real ruble, not the mythical clearing ruble. But can we take as

a basis of comparison a situation in which they take as much as 90 percent of profit away from state enterprises if they really try.

There is a point in the ukase that holds cooperatives hostage to the local administration. It has been given complete control over the tax rates. In any advanced country, the level of taxes is the pivot of government policy. In our country, they now go as high as 85 percent. The last ukase of the RSFSR Supreme Soviet, which confirmed the course of holding back the cooperatives, was adopted even after the USSR Congress of People's Deputies—6 June. By world standards, if the goal is the expansion of the cooperative movement, a tax "ceiling" of 25 percent ought to be established. If it is higher, then the number of taxpayers will drop, and total revenues going into the budget will not rise, but on the contrary will begin to fall.

Alas, many personnel of ispolkoms consider it a matter of their honor and conscience to hike up the tax on "these thieves."

Yet on the whole, the "excess profits" of the cooperators are far more innocent than the unearned "earnings" of many state workers and employees. After all, state enterprises have been inflating the cost of their goods and services with appalling strength. According to calculations of economists, these figures have been overstated by 100-150 billion rubles thanks to figure padding and double counting. These billions do not represent any physical items at all, but are part of the cost of the finished product and are paid for by the consumers (by us, that is).

The consumer is being hurt at present by the fight between the bureaucracy and the cooperative. He is failing to receive an immense amount of goods and services which he could have had, moreover at far lower prices. Now, only 60 percent of all the registered cooperatives are in operation (this is somewhere around 80,000). The rest are just unable to straighten things out so they can go to work: they lack space, raw materials, equipment.... The average cooperative today, a year after adoption of the law, is a small-scale technically backward production operation producing 6,000 rubles worth of products per month.

In the attempt to break out of this beggarly condition, the cooperators thinking about the future are detouring around the restrictions and prohibitions in effect by any means fair or foul. But the need to constantly get around the instructions and decrees quite often (and the longer it goes on, the greater the extent) has the result that the law is being ignored altogether. Advocates of "equality," well-behaved creators of all kinds of ukases and decrees are in the final analysis directing the immense energy and enterprise of those who are most determined into the sphere of the "black market." The ukases that have made the cooperators dependent upon government agencies are actively drawing cooperators into corruption with the employees of economic staffs of soviets.

However, tendencies which could oppose the movement into administrative blind alleys are becoming stronger in it today. We are referring here above all to the attempt to defend its positions through direct participation in the political life of society. This is drawing people more and more into economic liberation.

The main result of this year, in my opinion, has not been economic, but political. The ideology of the bureaucracy, with its dogmas and stereotypes, has been fundamentally undermined over this past year. And now in the wake of the cooperative leasing "is being allowed to live, and the possibility of setting up a private peasant farm is being acknowledged from high places. More and more plants are making the transition to cooperative principles. Workers in the state-owned economy are putting questions which previously were not even thought about: How much is our work and product worth? Why are we sending all the profit up to the top? What is the need for the nonsensical plan? And they are getting changed. In my opinion, this is in fact the greatest victory of the cooperative as of now.

And what lies ahead?

### **Efficacy of Trade Unions Scored**

*18280262 Moscow TRUD in Russian 27 Jul 89 p 1*

[Article by S. Melekhin, operator of the Nizhny Tagil Metallurgical Combine imeni V. I. Lenin, member of the AUCCTU and USSR People's Deputy from the trade unions: "Profound Changes are Needed"]

[Text] I write these lines at a time when the situation in the Kuzbass [Kuznetsk Coal Basin] has been normalized and the miners' collectives have started to work. But the feeling of anxiety and concern has not passed. And not just because the normal work rhythm has not been restored yet at all the country's mines, which is the "echo" of a days-long strike that will for a long time have an effect on other most important branches of the national economy. We all understand that there are all kinds of strikes, that the large-scale organized work stoppage of one of the working class's leading detachments, in defense of their legal rights and interests, indicates that there are serious illnesses and distortions in our society that perestroika is eliminating slowly. We cannot, we do not have the right, to ignore such a powerful omen of anxiety. Everyone must draw the pertinent conclusions, and quickly.

In belonging to the country's supervisory elective organ of the trade unions and in analyzing the events that have occurred, it is natural that I correlate them with the position and role in society of our largest workers' organization. And to a great extent the conclusions are not encouraging.

In recent years we have said much about perestroika, the trade unions and their structure, and the necessity for intensifying their protective role. That is right. But the miners of the Kuzbass and Donbass [Donets Coal Basin]

decided not to wait; we had a talk and boldly and uncompromisingly took on the job ourselves. When they had made up their minds, they did not consider it necessary to appeal to their trade union committee or trade-union's oblast committee for support, but they created strike committees and then nominated their own informal leaders. And they made their demands through these committees and held complicated negotiations with government representatives, economic managers and the ministry. And trade-union workers—those who had not been isolated from the working environment, and who had authority because for practical reasons and not because of official position—also joined some strike committees. There are many such in the trade unions. But indeed it is not a question of individual workers but of the trade unions' authority as a whole.

It must be honestly admitted that both the trade unions and their managerial organs should share in the blame for the dramatic exacerbation of the situation in the country. For decades the administrative system has in essence ignored the workers' fundamental interests. Indeed, the "black" Saturdays, the smoky departments with old-fashioned equipment, the short vacations, the miserly pensions, the enormous waiting lists for housing, and the wage leveling testify to this. The trade unions, with their somewhat restricted rights, were not able to oppose these things, to achieve consistent and real improvement in the workers' lives.

Changes have occurred in the trade unions during the perestroika years. The staff has been cut and some elements eliminated. But in the main, there was still no breakthrough. We were not able to distance ourselves from bureaucratic misrepresentations of the spirit and letter of the Law on the State Enterprise, to protect the working collectives from bureaucratic arbitrariness, which was expressed in unfair standards for deductions and 100-percent state orders, in brief, from those administrative paths which do not allow workers to improve their lives by their own honest labor and to solve the severest social problems. The miners raised precisely these problems, which were tied in a tight knot.

Today, I think that the trade unions are facing a choice: either they stand firmly, as is said, on their two feet on the side of the toilers and the workers—with recognition of the fact that they must, in protecting their rights and interests, come into earnest conflicts with departments, ministries and the government, getting, it stands to reason, both bruises and lumps; or the gap between the workers' movement, which started from below, and the trade unions will increase....

I am convinced that only trade unions that are militant, independent and free in their decisions and actions can now help the party in that most complex matter, how to bring perestroika about. The critical situation itself in the country requires that the trade unions speak with the voice of the working masses, without begging and without "understanding the situation" but compelling the government to listen to its voice, to search for



compromises, simultaneously reacting to the severe situation. Only such an approach can save the country and its already weakened economy from strike upheavals, which can prove to be devastating.

I believe that the situation that prevails in the country requires a radical change in trade-union work and its content, deliverance of the trade unions from the distribution and similar functions not inherent to it, and conversion to the position of decisive and uncompromising protection of the workers' legal rights and interests. I propose that at the next AUCCTU plenum, in August, the directions of activity and the position of the trade unions under the existing situation be defined as clearly as possible. The trade unions are obligated to take up their proper place in the ranks of the working class, which is striving for an acceleration of perestroyka, and to struggle together with them for an updating of all aspects of our life.

#### **Balanced Wage, Productivity Growth Discussed**

18200422 Moscow DENG I KREDIT in Russian No 6, Jun 89 pp 60-64

[Article by I.V. Nikonova, deputy chief of the administration for the methodology of credit and clearing relations and department head of USSR Gosbank, under "Consultation" rubric: "On the Standard Correlations Between the Increase in Wages and Labor Productivity"]

[Text] The Law of the USSR on the State Enterprise (Association) gave broad rights to enterprises and associations in the area of labor and wages with the utilization of such instruments as long-term economic standards for the formation of the wage and economic incentive funds. Enterprises working under the second model of cost accounting based on the standardized distribution of income form a unified fund for the remuneration of labor through cost-accounting income remaining after the formation of funds for the development of production, science and technology and social development (other funds of an analogous function) according to standards.

At the same time, the Law of the USSR on the State Enterprise (Association) obligates enterprises and associations to ensure, in accordance with affirmed standards, that the increase in labor productivity exceeds the increase in average wages. The enterprises are obligated to use the remuneration of labor as the most important means of stimulating the increase of its productivity, the acceleration of scientific-technical progress, the improvement of the quality of output, the raising of the efficiency of production and the strengthening of discipline.

As the practice in the work of enterprises showed, this most important requirement of the law was not observed in 1988. The increase in the wage funds at enterprises and organizations significantly exceeded the final results of their work. The wages of workers increased more rapidly than the productivity of their labor. During the

year, the applied standardized correlations between the increase in the average wage and the increase in labor productivity did not provide for the economical expenditure of funds for the remuneration of labor. Enterprises violated the indicated correlations.

The main shortcomings of the standardized correlations applied prior to 1989 were: the absence of a quarterly breakdown; the correlations were calculated in accordance with the rates of growth of labor productivity and wages computed at the level of 1985; in determining the standardized and actual correlations, no consideration was given to a number of payments and privileges, in particular savings in the wage fund (unified fund for the remuneration of labor) obtained as a result of the freeing of the total number of workers.

The application of standardized correlations between the increase in the average wage and the increase in labor productivity did not limit enterprises in the means for the remuneration of labor in the course of the year. Responsibility for a violation of the confirmed correlation arose only in accordance with the results of the work for the year and was expressed in the form of the reserving of part of the means of the economic incentive fund (unified fund for the remuneration of labor) in the following year. Thus, for 1988 (according to incomplete data), about 3,000 enterprises and organizations, or 0.8 percent of the total number of enterprises and organizations controlled by the banks of the USSR, violated the standardized correlations confirmed for the year in question and reserved about 200 million rubles in economic incentive funds (unified fund for the remuneration of labor).

Beginning in 1989, the previously operative system for the application of standard correlations between the increase in wages and labor productivity was changed decisively.

In accordance with the decision made, enterprises and organizations are authorized quarterly standardized correlations between the increase in wages and the increase in labor productivity (between the increase in the unified fund for the remuneration of labor and the increase in income). Under these conditions, enterprises and organizations are obligated to expend monetary resources for the remuneration of labor in strict accordance with the standardized correlations affirmed for them.

The system for the issue of means for the remuneration of labor to enterprises and organizations by banks has also been changed. For the first time, bank institutions have been granted the right to issue to enterprises and organizations means for the remuneration of labor beyond the sums flowing out of the standardized correlations affirmed for them.

In a letter dated 18 January 1989, USSR Gosplan, the USSR Ministry of Finances and USSR Gosbank established a system for the determination of the correlations between the increase in wages and the increase in labor productivity in 1989-1990. This letter, in particular,

provided that standardized correlations are established for the enterprises (associations) and organizations of all branches of the national economy transferred to full cost accounting and self-financing.

It should be noted that the standardized correlations are affirmed by ministries and departments as a whole for a year with distribution by quarters (cumulative total from the beginning of the year). In so doing, standardized correlations are established between the increase in the average wage and the increase in labor productivity for enterprises and organizations transferred to full cost accounting on the basis of the standardized distribution of profit (first model). For enterprises transferred to full cost accounting on the basis of the standardized distribution of income (second model) as well as for enterprises applying lease relations, standardized correlations are established between the increase in payments from the unified fund for the remuneration of labor and the increase in income.

At the same time, there are peculiarities in the determination of standardized correlations in individual branches. Thus, for example, in scientific organizations transferred to full cost accounting, regardless of the applied model, the standardized correlations are established between the increase in the payments from the unified fund for the remuneration of labor and the increase in income. Scientific organizations working under the first model determine payments from the unified fund for the remuneration of labor as the sum of payments from the wage fund and the economic incentive fund and income as the sum of the wage fund formed in accordance with the standard and the actual volume of work and the profit obtained from the sale of scientific-technical output (works and services).

Standardized correlations are calculated for the scientific organizations of the ministries and departments of the defense complex not in accordance with the rate of increase but are established in the form of the share of the total sum of payments from the wage fund and the economic incentive fund in the sum of income and are specified as a percent.

For the material and technical supply organizations of the system of USSR Gosplan, the correlations are determined between the increase in the total payments from the wage fund and economic incentive fund and the increase in net output.

For the enterprises (associations) and organizations of the ministries of domestic services for the population, the standardized correlations are determined between the rate of increase of total payments from the wage fund and economic incentive fund and the rate of increase of the volume of sales of domestic services on orders from the population. But for enterprises (associations) and organizations applying the second model of full cost accounting and lease relations, the standard correlations are determined between the rate of increase of payments from the unified fund for the remuneration of labor and

the rate of increase of the volume of sales of domestic services based on orders from the population. In the case of enterprises for which the sale of services based on orders from the population is insignificant, the standardized correlations are established on the basis of the rate of increase of the total volume of sales of domestic services.

As for enterprises (associations) and organizations in state trade, use continues to be made of the system for determining standardized correlations between the rate of increase of the fund for the remuneration of labor and the rate of increase of commodity turnover calculated in accordance with the level of 1987. Under these conditions, control over the observance of standardized correlations by the indicated enterprises, associations and organizations is carried out by bank institutions in the manner established by letter No 137 of USSR Gosbank dated 4 June 1988.

The letter of USSR Gosplan, the USSR Ministry of Finance, the USSR State Committee for Statistics and USSR Gosbank date 18 January 1989 provides that the new system for the determination of standardized correlations also extends to enterprises applying lease relations. In March 1989, USSR Gosplan also made it clear that the conditions previously in effect for the determination of correlations between the increase in wages and the increase in labor productivity are maintained for enterprises that went over to lease relations before 1989. In this connection, for enterprises going over to lease relations before 1989 and for whom standardized correlations are affirmed between the rate of increase of payments from the unified fund for the remuneration of labor and the rate of increase of income (commodity output) calculated cumulatively from the beginning of the five-year plan, the issue of means from the fund for the remuneration of labor and control over the observance of the standardized correlations is carried out by bank institutions in the manner established by letter No 106 of USSR Gosbank dated 4 February 1988. In the remaining cases for lease enterprises, control must be in accordance with the new system.

In determining the correlations, beginning 1 January 1989, consideration is given to all payments from the wage fund and economic incentive fund (unified fund for the remuneration of labor) with the exception of bonuses for putting capacities and facilities into operation, authors' royalties, additional expenditures for the remuneration of the labor of workers in accordance with wage rates and salaries raised 25 percent at enterprises and organizations involved in construction in the regions suffering from the earthquake in the Armenian SSR, and also material assistance.

In accordance with the established system, correlations are determined as the relationship of the increase in the average wage to the increase in labor productivity (increase in payments from the unified fund for the remuneration of labor to the increase in income, net output). At the same time, if one of the specified indices

(or both indices) remains unchanged or declines, then in this case the correlation is determined as the relationship of the rates of growth of the indices.

The system for the issue in 1989-1990 of means from the wage fund and economic incentive fund (unified fund for the remuneration of labor)<sup>1</sup> to enterprises transferred to full cost accounting and self-financing by bank institutions is set forth in letter No 183 of USSR Gosbank dated 2 February 1989.

Attention is drawn to the fact that beginning 1 January 1989 the average wage for calculating the standardized correlation is determined for all personnel (including unlisted staff) and not for industrial production personnel (personnel employed in the basic work). This is explained by the fact that under the standardized correlation they have begun to determine the magnitude of the means of the fund for the remuneration of labor due for expenditures of the enterprise (association) or organization as a whole.

To implement correctly the issue of means from the fund for the remuneration of labor to enterprises (associations) and organizations on the basis of the affirmed standardized correlation and the actual results of the work in the period under review (cumulative total from the start of the year), the workers of the bank institution must, upon receiving data on the affirmed standardized correlations, pay attention to the following: the indices that are the basis for the establishment of the correlations; how the correlations are calculated—by rates of increase or rates of growth.

Depending upon what indices determine the standardized correlations, enterprises present reports in the appropriate form on the magnitude of the means due to be issued from the fund (unified fund) for the remuneration of labor.

Thus, enterprises for which standardized correlations are established on the basis of the average wage and labor productivity present to the bank institution a report in the form of Appendix 2 to the indicated letter. And thereby the rate of the increase (growth) of labor productivity can be calculated according to a commodity, standard-net, net output or other index applied for the calculation of labor productivity.

Enterprises for which the standardized correlations are established on the basis of all payments from the wage fund and economic incentive fund (payments from the unified fund for the remuneration of labor) and income (net output, volume of sales of domestic services based on orders of the population or other index) present to the bank institution a report applying to the form of Appendix No 3 of the indicated letter. Thus, this report form can also be used by enterprises applying the first model of cost accounting, enterprises providing domestic services and other enterprises for which standardized correlations have been established on the basis of all payments from the wage funds (economic incentive).

In comparing the forms of reports included in letter No 183 of USSR Gosbank, their differences are apparent:

In Appendix No 2, the basis of the calculation of the magnitude of the means due to be issued is the calculation of the average wage corresponding to the actual growth of labor productivity in the period under review taking into account the observance of the standardized correlation established for this period;

In Appendix No 3, the magnitude of the means due to be issued is determined significantly more simply—on the basis of the level of the expenditure of means of the fund for the remuneration of labor in the corresponding period of the past year, the established standardized correlation for the period under review and the actual growth of income or other index.

In addition, Appendix No 2 contains data on the sums intended for the remuneration of labor for the above-plan increase in the production of nonfood consumer commodities. Thus, for enterprises applying the first model of full cost accounting and for which an individual standard for the formation of a wage fund for the supplemental increase in the production of nonfood consumer commodities has been affirmed, means from the fund for the remuneration of labor are issued within the limits of the total means due to be expended according to the standardized correlation and means due for the above-plan increase in the production of the indicated commodities. In so doing, the plan for the production of these commodities is given no less consideration than the state order. For this purpose, bank institutions must receive data from the enterprise on the plan for the production of nonfood consumer commodities in the current year with a distribution by quarters (in retail prices) and on the state order for these commodities. In those cases in which the plan of the enterprise is below the state order, the increase in the volume of the production of the indicated goods under the plan for the period under review from the beginning of the year is determined through the comparison of the state order and the actual level of their production in the corresponding period of the past year.

The system for the stimulation of enterprises and associations in increasing the production of nonfood consumer commodities was introduced in 1989. In accordance with this system, enterprises of heavy industry and defense and other branches of the national economy producing nonfood consumer commodities in which the production of such commodities is not the primary work have been permitted to keep at their disposal the entire profit (income) from the sale of nonfood consumer commodities produced above the achieved level of the previous year if this level meets or exceeds the target for the five-year plan. Enterprises utilize the indicated profit (income) as a supplemental source of the production and social development of the collective and as an economic incentive for workers.

In addition, these enterprises producing output for technical industrial purposes and nonfood consumer commodities and utilizing a form of cost accounting based on the standardized distribution of profit have been permitted to form a wage fund in 1989-1990 under a separate standard for the supplemental increase in the production of these goods relative to the achieved level in the preceding year if this level meets or exceeds the target for the five-year plan.

The additional measures taken to raise the interest of the enterprises not specializing in the production of nonfood consumer commodities in increasing the indicated goods were fully reflected in the determination of the magnitude of the means from the fund for the remuneration of labor to enterprises applying the first model of cost accounting. As for enterprises utilizing the second model of full cost accounting, for them the income from the increase in the sale of nonfood consumer commodities beyond the achieved level of the previous year is included in the total income of the enterprise, which is distributed in the standard manner. In this connection, enterprises applying the second model of cost accounting are issued means from the fund for the remuneration of labor by bank institutions within the limits of the sums

calculated in the established manner on the basis of the standardized correlation affirmed for the period under review.

Inasmuch as letter No 183 of USSR Gosbank presents calculations based on the rate of increase of indices, we will look at examples of the distribution of the means due to be issued from the fund for the remuneration of labor under conditions in which a standardized correlation has been affirmed between the rate of increase of the average wage and the rate of increase of labor productivity. In fact, during the period under review the level of labor productivity declined in comparison with the corresponding period of the past year.

I. Underlying data: according to the plan for the first half year.

1. Affirmed standardized correlation: 0.7.
2. Rate of growth of labor productivity: 106.0 percent.
3. Rate of growth of the average wage: 104.2 percent.

II. Actual for the first half year:

Designation of Index	Example 1	Example 2
1. Actual correlation between growth of average wage and growth of labor productivity	1.0061	0.9949
2. Rate of growth of labor productivity, percent	99.0	99.0
3. Rate of growth of the average wage of all personnel, percent	99.6	98.5
4. Rate of growth of the average wage calculated on the basis of the actual rate of growth of labor productivity, percent	99.0	99.0
5. Average monthly wage in the first 6 months of last year for all personnel, in rubles	200	200
6. Average monthly wage calculated on the basis of the actual rate of growth of labor productivity, in rubles	198.0	198.0
7. Average actual listed number of personnel in the period under review	3,000	3,000
8. Fund for the remuneration of labor due to be expended in the period under review based on the actual rate of labor productivity (line 6 X line 7 X number of months in the period, in thousands of rubles)	3,564.0	3,564.0

As is apparent from the data presented, at enterprises for which a standardized correlation between the increase in the average wage and the increase in labor productivity was affirmed, under the conditions of the reduction of labor productivity in the first 6 months of the current year in comparison with the achieved level for the first 6 months of the past year, the rate of growth of the average wage in line 4 of the calculation is determined on the basis of the actual rate of growth of labor productivity for the period under review.

Examples for the determination of the magnitude of the means due to be issued from the fund for the remuneration

of labor for enterprises that have been affirmed standardized correlations between the rate of growth of the average wage and the rate of growth of labor productivity.

I. The underlying data in accordance with the plan for the first half year:

1. Affirmed standardized correlation: 0.9899.
2. Rate of growth of labor productivity: 99.0 percent.
3. Rate of growth of the average wage: 98.0 percent.

II. Actual for the First Half Year:

Designation of Index	Example 1	Example 2
1. Actual correlation between the rate of growth of the average wage and the rate of growth of labor productivity	0.9879	0.9899
2. Rate of growth of labor productivity, in percent	99.5	101.2
3. Rate of growth of the average wage of all personnel, in percent	98.3	100.18

Designation of Index	Example 1	Example 2
4. Rate of growth of the average wage calculated on the basis of the affirmed standardized correlation and the actual rate of growth of labor productivity (line 2 X the standardized correlation), in percent	98.5	100.18
5. Average monthly wage for the first 6 months of the past year, in rubles	200	200
6. Average wage calculated on the basis of the actual rate of growth of labor productivity and the affirmed standardized correlation for the period under review (line 4 X line 5 divided by 100), in rubles	197	200.4
7. Average actual listed number of personnel	3,000	3,000
8. Fund for the remuneration of labor due to be expended in the period under review on the basis of the affirmed standardized correlation and the actual rate of growth of labor productivity (line 6 X line 7 X number of months in the period under review), thousands of rubles	3,546	3,607.2

As can be seen from the data presented in the two examples, with a planned rate of growth of labor productivity of 99 percent, there was an actual increase in labor productivity in the first half year in comparison with the level for the first 6 months of last year. Under these conditions, the growth of the average wage in line 4 of the calculation is determined as the product of the actual rate of growth of labor productivity and the affirmed standardized correlation (101.2 percent X 0.9899 = 100.18 percent).

The magnitude of the means of the unified fund for the remuneration of labor due to be expended for enterprises (associations) and organizations that have affirmed standardized correlations between the growth of payments from the unified fund for the remuneration of labor and the growth of income (between the growth of payments from the wage fund and economic incentive fund and the growth of income, net output or other index) is determined in an analogous manner.

The distribution of means from the fund for the remuneration of labor to enterprises (associations) and organizations in the course of the quarter must be done by bank institutions within the limits of the fund for the remuneration of labor calculated by enterprises for the quarter taking into account the standardized correlations affirmed for them and, in the case of the final calculation for the quarter, on the basis of reports in the form of appendices 2 and 3.

The data presented in the reports are compared with the statistical reporting data of the appendix to the form on labor "Reporting on the Observance of the Standardized Correlation" presented to bank institutions by enterprises, associations and organizations in the required manner.

After comparing the data with the statistical reporting, the bank institution worker must carefully verify the correctness of the calculations included in the report so as not to allow the excess distribution of means from the fund for the remuneration of labor to enterprises, associations and organizations.

#### Footnote

1. Subsequently called "fund for the remuneration of labor."

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#### Outdated Infrastructure, Idling Cause Lost Work Time

18280158 Moscow PRAVITELSTVENNY VESTNIK  
in Russian No 13 Jun 89 pp 1, 10

[Article by R. Yuryev: "Work Time Is for Work—Thoughts on USSR Goskomstat's [State Committee for Statistics] Summary Report"]

[Text] We have been speaking with alarm and concern recently about a weakening of discipline, the state of organization, and proper order at production and at all levels of control. Much attention was paid to this problem also at the USSR Congress of People's Deputies.

And the summary report of worktime utilization by the country's Goskomstat fully confirms its severity: worktime losses in industry because of absenteeism, idle time and absences authorized by the administration came to 23,637,000 mandays last year. This means that almost 24 million people lost a workday each!

Specifically, what was the breakdown of these losses? Absenteeism was 32.5 percent of the total, idle time 23.3 percent, absences with permission of the administration 44.2 percent.

I would like to call special attention to the last figure. Almost half of the losses occurred with the blessings of the administration! What is this—complacency, permissiveness, indifference to the fate of production? This is apparently what is happening. But it would seem that the main cause is something else—the backwardness of our social infrastructure, the undeveloped network of medical, shopping and personal services, and an irrational working arrangement of the corresponding institutions and enterprises. What do you tell a person to do if, for example, he has to wait a full day for a refrigerator

repairman? Get permission to be absent. And the administration accommodates him, with understanding: it, the administration, is placed precisely in this position....

In 1988 USSR Goskomstat made a one-time selective survey of the state of labor and production discipline in 317 construction organizations. It revealed some depressing facts. Six percent of all workers of these organizations committed labor discipline violations. Among them, 86 percent were truants and 9 percent were relieved of their responsibilities because they were not sober when they showed up for work.

And so here one must address the permissiveness of administrations that is in no way justified and is even a direct tolerance of labor-discipline violations. Social penalties were exacted from less than half of the number of workers who committed violations.

Unfortunately, in 1988 worktime losses because of illness and medical care increased somewhat over the preceding year. They averaged 9 days per worker. Each day more than 4 million persons did not show up for production work because of illness or injury or medical care for children. Expenditures on benefits for temporary incapacitation for work were 8.4 billion rubles (7.3 million rubles in 1987). These figures confirm once again how urgent it is now, even from a purely economic point of view, to develop our public health system and to establish health departments directly at enterprises....

In 1988 total work-force turnover (hirings and releases for all reasons) increased in most production branches. Thus the turnover of blue-collar and white-collar workers in industry (as a ratio of the average monthly manning) was 12.6 percent. It was 14.4 percent in construction, 13.6 percent in motor-vehicle transport, and 19.1 percent in domestic services for the public.

To a great extent, of course, this phenomenon has completely objective causes. Production-personnel manning is being reduced in connection with the conversion to the new pay rules. The flow of people to cooperatives is increasing. Lease arrangements are developing in both the city and the countryside, and this also is increasing personnel turnover.

Nevertheless, one cannot overlook the fact that "the desire for a change" also involves substantial worktime losses. It takes about 30 days on the average to find a new job. Consequently, the system itself of job placement needs to be improved, to take into account the new forms of organizing production and the new opportunities that they present to people....

Finally, statistical reporting must pay special attention—this is absolutely correct—to worktime losses during shifts. According to the data of selective surveys, these losses comprise more than 3 percent of shiftwork time in industry, and more than 5 percent in construction work. This is where our national economy suffers colossal harm! More than 1 million people do not work because

of idle time within shifts. For this reason alone, shortfalls in output (or in the amount of construction and installing work) come to about 30 billion rubles in a year.

Every production worker knows what causes these losses. Deficiencies in organizing the work. Mismatches in the operation of structurally related subunits. Poor (sometimes purely formalistic) development of economic accountability at lower levels. But the main thing is lack of coordination in supplying materials and equipment.

Let us sum up the results. In 1988, 93 percent of the maximum possible worktime available in industry was worked. In construction and rail and motor-vehicle transport the figure was 95 percent. It is obvious from this that we now have some major opportunities for increasing the production effectiveness at our disposal. No material expenditures are needed for realizing these opportunities, just discipline, proper organization and good order are needed.

And there is one more conclusion. We associate strengthening of discipline and responsibility inseparably from development of the new management methods, the application of a great diversity of forms of socialist ownership, and the transformation of the person into an authentic and motivated owner of the production facility. However, is it possible—especially right now, in the transitional period—to ignore administrative and indoctrinational measures? Indeed is it not obvious that irresponsibility, laxity, and a lack of dedication harm not only production? They also slow down the progress of perestroika itself.

#### **Roundtable Focuses on Unemployment Concerns, Social Guarantees**

*18280157 Moscow SOTSIALISTICHESKIY TRUD in Russian No 6, Jun 89 pp 48-60*

[Article by S. Semenov and N. Kalyayev: "Employment Today and Tomorrow"]

[Text] (From the "round-table" meeting of the editor's offices of the newspaper TRUD and the journal SOTSIALISTICHESKIY TRUD in December 1988).

Participating in the "round-table" meeting were: **Yu. V. Yakovets**, department head of the Academy of the National Economy of the USSR Council of Ministers, doctor of economic sciences and professor; **Ye. G. Antosenkov**, director of the Labor Research Institute of USSR Goskomtrud [State Committee for Labor], doctor of economic sciences and professor; **Yu. P. Orlovskiy**, doctor of juridical sciences and professor; **I. S. Maslova**, head of the sector for labor potential of the Economics Institute of the USSR Academy of Sciences, doctor of economic sciences and professor; **I. Ye. Zaslavskiy**, head of the sector for labor problems and redistribution of manpower resources of the Labor Research Institute and candidate of economic sciences; **V. A. Rushev**, chief of the main administration for labor and social questions of the Moscow Oblispolkom; **V. V. Skitev**, chief of the main

administration for labor and social questions of the Moscow Gospolkom; A. A. Arzamastsev, director of the Moscow Oblast Center for Job Placement, Retraining and Occupational Orientation of the Population; E. N. Bobrovnikov, director of the Moscow City Center for Job Placement, Retraining and Occupational Orientation of the Population; A. A. Zuykov, deputy director of the Republic Center for Job Placement, Retraining and Occupational Orientation of the Population of Kazakh SSR Goskomtrud; S. B. Blazhevich, chief of the Republic Bureau for Job Placement of the Population of Latvian SSR Goskomtrud; L. Ya. Litovskiy, director of the Information and Computer Center of Georgian SSR Goskomtrud; Yu. N. Tigalev and V. F. Shankin, sector heads of the department for mass production work of the AUCCTU; P. S. Rudev, deputy chief of the administration for manpower resources and personnel training of USSR Goskomtrud; V. M. Fokin, senior scientific associate of the Scientific Research Institute of the USSR Ministry of Internal Affairs and candidate of juridical sciences.

From the editor's office of the newspaper TRUD: economic observer Yu. S. Krasnopolskiy.

Moderator: chief editor of the journal SOTSIALISTICHESKIY TRUD S. M. Semenov.

[S. Semenov] A year has passed since the adoption of the decree of the CPSU Central Committee, USSR Council of Ministers and AUCCTU "On the Provision of Effective Employment for the Population and the Improvement of the System of Specialized Employment and Strengthening of Social Guarantees for Working People." A profound transformation is taking place in the society. 1988 was the first year of work under the conditions of the Law of the USSR on the State Enterprises (Association) and of the mass transition to the principles of cost accounting and self-financing. There were 76,000 enterprises, organizations and kolkhozes with a total of 51 million people working under the new conditions of management. The application of progressive forms of organizing and remunerating labor, the acceleration of scientific-technical progress and the change of the functions of the administrative system in the center and in the localities led to a reduction of the number of workers. The number of workers declined by 1 million in the production branches of the state sector alone.

The fundamental changes in the economy affect the interests of millions of people—those who continued to work in the previous place and those who were discharged. The newness and scope of the occurrences induce one to give thought to their social consequences and to answer the questions: Is effective employment being provided for those being discharged and are social guarantees adequate? Also, how are the processes of their discharge taking place, who are they laying off, what is their fate, etc.?

The layoffs are frequently taking place in a painful manner. The letters to the editor's offices of the newspaper and journal are evidence of this. They are alarming signals. Many have already been out of work for a long time. Social justice is not always observed in the reductions. People are not being provided normal working conditions at the new place. The mechanism of social protection is slipping.

The layoffs will continue on an even larger scale. We must be prepared for this. It is important even now to determine the sore points and to exchange opinions on what must be done so that outlays will be minimal. The objective of our "round-table" is to attract the attention of economic managers, ministries, departments, labor bodies and scientists to this complex social and economic problem and to evaluate the occurrences.

#### **Employment, Part-time Employment or...Unemployment!**

[Yu. Yakovets] I think that the conversation will take the right direction if we determine concisely what idleness is. It appears that this is important at our meeting.

There are three kinds of idleness in the world. They are observed here as well.

The first is short-term idleness. It is caused by three reasons, above all by inevitable changes in production technology. Some branches, enterprises and occupations become hopeless and die out and others appear. And people cannot find an application for their occupational skills and are forced to seek another place of work. The second reason is of a social and psychological nature. People do not participate in public production for a time because they are seeking a better position, with a higher wage and different working conditions. Many transfer to different enterprises, because there they can obtain housing more easily and have better children's institutions, etc. The third reason is the result of the reforms in the area of administration, when superstructural organizations are eliminated, administrative personnel are reduced, workers transfer from one area of activity to another and it is not so simple to find suitable work for them. All of these processes will be intensified. The law of labor change is in effect and will be in effect to an even greater extent. Short-term idleness encompasses many millions of people.

The second form, hidden idleness, is most often regional in nature. It is a matter of the idle able-bodied population in the republics of Central Asia and individual republics of the Transcaucasus. In Tadzhikistan and Uzbekistan, for example, 27 percent of the able-bodied population, primarily women, do not participate in public production. There are different factors in effect here—national, economic and demographic. When you visit a rural area, you are surprised by the fact that healthy, able-bodied men are working as cashiers in stores. At the same time, children are brought into the fields to harvest crops treated with herbicides and toxic

chemicals. To a considerable extent, this is the result of miscalculations in our structural, investment and social policy.

The third form can be called chronic. There is an increasing number of people who do not want to work and who carry on a parasitic life style, getting along through the help of relatives, speculation, etc.

We wish to avoid the term unemployment so we say idleness. By the way, after Stalin declared the elimination of unemployment here at the beginning of the 1930's, contradictory processes emerged from an in-depth analysis in science and practice, processes that took and are taking place in a most important area of life—the utilization of the society's manpower resources.

[I. Zaslavskiy] Some scientists still think that we have no unemployment, because it cannot exist under socialism. But it actually does exist. For a long time, our science lived with myths and dogmas. The wonderful ideals were taken to be reality. If one looks at tomorrow, then "temporary idleness" will be the natural result of further structural changes and the application of new methods of management.

[I. Maslova] I cannot agree with the assertion that the denial of unemployment under socialism belongs to the category of dogmas and myths, that it already actually exists in our country. Unemployment contradicts the humanistic and labor criteria of our society and the position of the working person as the master of socialist ownership. It is another matter that today it is necessary to take a new approach to the treatment of the customary principles of the universality and compulsory nature of labor and to their correlation with the concept of full employment. We are used to linking the right to labor with the guaranteed receipt of work in the state sector of the economy, to treating it like the right to the lifelong assignment to our favorite workplace and position and to equating the freeing of manpower with unemployment and the principles of the universality and compulsory nature of labor and full employment with the general inclusion of the able-bodied in the public sphere of the economy. We characterize any forms of idleness of the population either as unemployment or as a deviation from socially useful activity and parasitism. We have long pursued a policy of restricting individual labor activity, underestimating the possibilities for the development of cooperative forms of employment and lease relations.

At the present time, when there is still a surplus of jobs and a prevailing labor shortage, when we have taken the course of enriching the forms of the realization of socialist ownership and have recognized the necessity of their diversity and equal rights, it is hardly correct to speak of unemployment. Today it is impossible to evaluate the state of employment in individual cases of the violation of personal interests in the job placement of workers being laid off without taking into account the possibilities of their transfer and redistribution among

social spheres of employment—state, cooperative and individual labor activity. It is now necessary to stress the elimination of the flagrant nonconformity of our organizational forms of distribution and redistribution, training and retraining of workers and specialists, and our distribution policy and system of job placement to the growing dynamism of production, the new methods of management, the principle of economical competitiveness and the diversity of the spheres and forms of the organization of employment. Precisely this explains the qualitative lack of balance between the demand of people for jobs and of enterprises for personnel and the supply of the one and the other at the territorial level.

[A. Zuykov] Every day we deal with people who have been unable to find work in their specialty over a long period of time. Thus, among those appealing to the employment service of Alma-Ata for assistance in 1987, 27 percent were men out of work for up to 4 months and 4 percent were jobless from 4 months to 1 year. There are also those who have been waiting for work for more than a year. By no means everyone turns to the employment service.

[E. Bobrovnikov] The statistics shamefully cover these occurrences through such harmless words as temporary idleness, state of expectation, etc. But if a person cannot find an application for his professional knowledge, this is natural unemployment.

[P. Rudev] Unemployment and idleness are not the same thing. The unemployed are those who can and want to work and are looking for work intensively but it is not available. They are expecting it and waiting in line for it. We do not now have such lines and no one is registered.

[E. Bobrovnikov] Our neighbor just said that there are such people.

[P. Rudev] If we consider qualifications and occupation, we will be avoiding the problem.

[Yu. Orlovskiy] This is precisely the essence of the problem. When we say that those temporarily not working cannot be considered unemployed because we have many vacant positions, this is a purely propagandistic technique. Behind the overall figures one must see the fate of the specific individual who cannot obtain work in his specialty because there is none. Why, let us say, must a jurist go into the service area and an engineer to an office for the repair of apartments?

In this connection, the question arises of the social guarantees for the citizen. It is necessary to preserve his wages for a longer period of time, perhaps at a lower level but they must be preserved without fail. Analogously, it is necessary to resolve the question of the preservation of an uninterrupted labor record if from the moment when the dismissed worker appeals to the employment offices he could not obtain work for a long time.

[A. Zuykov] To fully realize the principle of socialism, under which everyone labors in accordance with his



calling, capabilities and profession, a person must be offered not one position but a choice between several. And at times we are unable to do this.

[I. Zaslavskiy] I would like to present for our discussion arguments from history—the first code of laws on labor. Then a person was considered unemployed if he had no work in his specialty or had it for a period of less than 2 weeks. In other words, if a person worked outside his specialty for more than 2 weeks, he was considered unemployed. Can we today realistically provide everyone with work in accordance with the Constitution of the USSR? I will say frankly that we cannot.

It was long been thought that full employment is employment in state enterprises. And the more people were employed there, the higher, they say, was its level. The entire mechanism for the management of manpower resources was aimed at attracting manpower to state enterprises and its almost lifelong assignment there. Reverse processes have now begun: the reduction of inflated staffs, structural changes in production, the cooperative movement, mixed enterprises and individual labor. All of this is leading to the laying off of superfluous workers with which state enterprises are overloaded and to a new understanding of the problems of full employment.

[Ye. Antosenkov] And at the same time, they are constantly pointing out to us workers in labor agencies that it is necessary to involve everyone in public production, that there is still so much work to be done. Involve, involve.... It is a trite approach. For these are essentially administrative-command methods of management. It is necessary to put a stop to this.

[I. Maslova] Perestroika illuminated many phenomena that we did not notice before or, more accurately, did not want to notice. We saw that honest and conscientious labor in the state sector was being devalued in connection with the leveling of wages. People forgot how to do real work and received essentially nonlabor incomes not only in the turnover sphere but also in production and therefore many can be reduced without harming the cause.

In connection with the expected acceleration of the process of freeing superfluous manpower, I would like to return to what Yu. Yakovets said here—to the forms of idleness. It is very important to differentiate the occurrences of idleness, for this makes it possible to investigate the real processes taking place in the society and to evaluate them from the positions of the principles of the universality and compulsory nature of labor and also taking into account the change in the conditions of employment.

We should take a look at still another contingent of idle persons about which we have not spoken. They are not violators of the law, not parasitic elements and not drunkards but those who can live for a time without working through previous independently earned income or inheritances that they have set aside. They are persons

who, having the means for existence, would like to dedicate a certain amount of time to the development of their capabilities and to the realization of their spiritual needs (reading a lot and involving themselves in self-development, sports and creative labor, without being a member of creative societies—literary activities, painting, theatrical art and social work). The question arises of what our attitude ought to be toward this kind of idleness. Must we force such people to work in the public sphere in the absence of any desire on their part to work for money? Can the forms of their employment be characterized as individual labor activity if its results do not reach the market and do not produce income? Is it not paradoxical to force some to work while having difficulties finding work for others who need it as the source of the means of existence? I think that these questions in connection with the current acceleration of the process of the freeing of manpower and the intensification of the proprietary differentiation of the population are in need of a fundamental solution. The creation of a state of law opens up the possibility of a more precise specification of the constitutional requirement on the compulsory nature of labor.

Another question arises on the methods of regulating the distribution of manpower the social spheres of employment, in particular between the state and cooperative spheres. The outflow of workers from state enterprises to cooperatives is increasing because of the imperfection of the system of distributive relations and remuneration of labor, low wages and rigid work schedules. These shifts are taking place under the influence of the effect of the law of supply and demand. This is an indicator of the transition from the system of strict regulation of the economy and employment relations to a labor market.

[V. Fokin] The practice of employment for 1 day has now become widespread: he came to the cooperative in the morning, worked his time and received his 20 rubles. And everyone is happy.

[I. Maslova] In the United States, three of five small enterprises fail within 6 years. In the future, such a situation is completely realistic here as well. In 1988, about 2 million people were employed in cooperatives and individual labor activity and their number will increase. In the event of the liquidation of cooperatives, in contrast to those discharged from the state sector, there are no provisions for social guarantees of employment or compensation. It is difficult to regulate these processes and they will intensify.

#### **Who Is in Need of Specialized Employment and Guarantees?**

[I. Maslova] When it becomes necessary to lay people off, they take the easiest path: they dismiss pensioners, even though they are frequently the most conscientious and qualified people, sufficiently healthy and still useful. It is necessary to consider their labor potential, which the society is interested in utilizing: a person studies for 10 years in school, then in the VUZ, raises his skills in

different courses, and gains tremendous experience in life and knowledge. Nor should the psychological factor be ignored: if a person wants to work and the state of his health allows it but he is forced to take a pension, he will perish sooner. There are many such cases. Let us think about it. After all, this contradicts the labor basis of our society. For this reason, here it is necessary to take a very careful approach. For this purpose, why not utilize part-time work and flexible forms of organizing employment? This would make it possible to maintain people of pension age in labor collectives and simultaneously would expand the possibilities for the utilization of freed people in the same enterprises but in different subdivisions. Such a measure would also suit women but unfortunately its application is limited. We see the effect of the old approach—the fear of a sharp outflow of female manpower resources from public production with the extensive development of incomplete workdays or weeks. Meanwhile, this would substantially alleviate the resolution of questions in the finding of jobs in cases of the mass dismissal of personnel.

[A. Zuykov] In providing for job placement, we give priority to those dismissed in an able-bodied age, because they cannot live without work. A pensioner has a pension, even if it is small. At the same time, I support the point of view of I. Maslova. In strictly human terms, we should not be in a hurry to dismiss pensioners. There is another aspect that must be considered. Staff workers and employees have a positive influence on young people. Our personnel policy is based, in particular, on a combination of experienced workers with a long length of service and young workers. The mass dismissal of people of the pre-pension and pension age can lead to serious morale costs.

[Yu. Orlovskiy] The problem that you raise is not a simple one. And it has become more complex, because there is an objective need to reduce the administrative staff, where there are many working pensioners. And they are stubbornly resisting, because the difference in the level of their material well-being when they are working and after they are pensioned is very striking. Everyone knows what is waiting for him.

A general question arises that can be resolved today. The administration can dismiss a person who has reached pension age for two reasons: in connection with his retirement or to reduce the staff. In the case of dismissal for the latter reason, an entire complex of guarantees is offered but there are none when he is pensioned. Different justifications are given for the dismissal of people in one and the same category. This system needs to be changed. If a person reaching pension age is to be dismissed, this needs to be done prior to the reduction. But when cuts are made, everyone must be put under equal conditions.

[V. Skitev] An especially acute problem is that of the dismissal of people in the pre-pension age, let us say 53 for women and 57 for men. They will hardly want or be able to be retrained to obtain new skills. And it is

inexpedient to transfer them to new jobs. Here is a specific example. A woman with a secondary specialized education was working in the administrative staff of one of the ministries. They dismissed her. She was not yet of pension age. But she cannot do anything other than process paper. She is now working as a dishwasher in a cafe but is hiding this fact from those close to her out of shame. She says that if they gave her an early pension everything would be different. "I would go to this work as a pensioner and not as someone who was thrown out on the street." This is a real situation and she is far from being the only one. Perhaps such workers should be given a pension ahead of time, whereby it would not be paid in full.

The administrative staff will be reduced further. In so doing, however, they will have to dismiss staff members who can be of further benefit but leave those who cannot be sent on a trip because they have children or are in poor health. Their share in the total number of staff workers of some ministries is already about 30 percent. And it is increasing. For the demands on the administrative staff have increased sharply. Key personnel are racking their brains: What should they do? It is clearly necessary to establish the conditions that would interest such workers in transferring to other work.

[Yu. Orlovskiy] A new stereotype has asserted itself: administrative personnel are bureaucratic officials who must be gotten rid of at any cost. This is the wrong approach. There are considerably more administrative personnel in developed capitalist countries.

[E. Bobrovnikov] One should first think through the functions of ministries and departments, determine their structure accordingly and then begin to reduce the staff.

In Moscow, there are more than 100 ministries and departments (union and republic) with more than 128,000 workers as of 1 November 1988. There were 57,000 people subject to dismissal, 54,000 were actually reduced and 36,500 were in need of job placement. The rest were pensioned or vacancies were not filled. Three-fourths of those dismissed transferred to subordinate enterprises and organizations and one-fourth to other branches. Employment services were utilized by 1,500 people.

The process of dismissal is complex and contradictory. On the one hand, enterprises are freed of persons of low skills, job hoppers and the indolent, who have to be trained and retrained and then again provided with jobs; on the other hand, there is a redistribution of the most qualified people with considerable experience in life and production.

[V. Shankin] To be fair, it must be said in the freeing of workers the questions of retraining are resolved more easily than in the freeing of people with a higher education.

[V. Skitev] That is true. A candidate of mathematical sciences appealed to us. And we sent him to the ZIL

Plant [Moscow Motor Vehicle Plant imeni Likhachev] as an economist. He understandably did not want to go but we had no other proposals and we send people only to those vacancies that are announced to us.

[I. Zaslavskiy] There is an increasing outflow of students from nonspecialized schools. The schools are no longer "staying with" poor students. Who needs a youngster with no skills? What will be the fate of those who finished school and obtained a secondary education? In production, they will sooner take a person who has not finished his schooling as an apprentice for work lacking prestige, because there are fewer demands on him.

[Yu. Orlovskiy] As you know, there is a quota for the acceptance of youths for work. But there is increased opposition of enterprises to accepting them, especially in connection with the transition to cost accounting and self-financing. For the youngster has no production experience and he has to be given many privileges and guarantees. The Law of the USSR on the State Enterprise (Association) also grants enterprises the right to determine independently the number of number of workers, their composition with respect to skills and occupations, and staff personnel. And here there is a clear contradiction between the Law of the USSR on the State Enterprise (Association) and the legal acts in effect. How can the problem be resolved? There can be two versions. The first: discuss it in advance in the labor collective and, if there is agreement on the standards for acceptance, they become compulsory like the plan. The second: write in the law that the administration does not have the right to refuse to enter into a labor contract with persons who come to the enterprises under the guidance of labor agencies. That is, it is a matter of the application of the same legal standards that exist for graduates of vocational and technical schools and other educational institutions.

[S. Blazhevich] I will present the following fact for consideration. The Latvian language has become the official language in the republic and persons who do not have mastery of it are not accepted for work even in the event that there are vacancies.

[V. Fokin] We are all concerned about the increase in crime.

The finding of jobs for persons released from places of incarceration has become a serious social problem. If such a person is not provided with work, he will again commit a crime to get money with which to live. The finding of jobs for citizens of this "difficult group" is in the interests of the health of the entire society. And it is no accident that there has recently been an increase in the number of criminals from among those not involved in public production. In 1988, 33,000 persons who finished their term of punishment were not provided jobs. They are basically the ones increasing recidivistic crime by 10 percent.

After repeated refusals, only one out of four with a penal record is successful in finding work. But there are

hundreds of thousands of such cases, not counting chronic alcoholics (about 4 million) and tens of thousands of drug addicts, speculators and prostitutes. Only 10 to 15 percent of the persons returning from therapeutic labor dispensaries hold out; the remainder go back to drinking. No more than 50 to 60 percent hold a job from the moment of their acceptance.

How can this problem be resolved? Base enterprises, where the labor of this difficult group is applied, are not justifying themselves. It is necessary to distribute them in enterprises of the rayon or city so that they will become part of the collective. One must pay special attention to them and involve them in public work. Then they will be able to adapt more quickly and forever break with their past.

Such "distributions" should be approved for ispolkoms but special commissions must involve themselves in finding work for them. This task is too much for employment services. In the first place, they do not have the appropriate rights. In the second place, it is necessary to consider the specific nature of these people. A person will receive a referral and come to an enterprise. But if he does not like something, he will not go anywhere again.

It is advisable to maintain a special account at enterprises: register their arrival, note the times when they do not show up for work, changes of positions, etc. The ispolkoms should analyze the reasons for the refusal to accept people for work. It is important for them to stay in our field of vision all the time. At the present time, work with them has been left to take care of itself.

But how is the labor of those who have served their punishment utilized? There are many among them who have specialized training. There are physicians, musicians and drivers who accidentally knocked someone down. Why not use them in the work for which they were trained? After all, this is advantageous for the society. But they are frequently forced to perform unskilled work. A surgeon makes a poor concrete worker. And I would like to dwell on still another aspect. They are frequently forced to work 12 hours a day and their labor is remunerated at low rates. But the people in this group have a heightened sense of social fairness. The result is that we are not achieving a positive effect. They become angry and lose faith and this is a direct path to recidivism in the future, when they will gain their freedom. Labor legislation must be observed equally in relation to all.

[V. Rushev] The questions, of course, are not simple but they need to be resolved. But how? I do not agree with V. Fokin's suggestion that they be distributed in enterprises. Let us put ourselves in the place of the labor collective. They have a good brigade and good boys and then they have a parasite, lazy person or drunkard imposed upon them. Naturally they do not accept him. Of course what V. Fokin is proposing is more convenient: transfer everything to the labor collectives and we will observe from the side, control and make demands.

No, we must take upon ourselves the responsibility for their fate and create new jobs.

[E. Bobrovnikov] Why not legislatively give rights to enterprises working under cost accounting to establish special shops or even auction enterprises for the job placement, let us say, of pensioners and invalids or persons returning from incarceration or women with children, who cannot work at enterprises with heavy labor? In so doing, a large part of the profit from the work of such subdivisions could be left with them for further development.

[Yu. Tigalev] Along with cooperative activities, which are modifying our notion of employment, leasing and contracts are also widely used. They are aimed at the full utilization of manpower and at raising the intensity of labor. In developing standardized acts in connection with these forms of work, we are primarily concerned about the resolution of economic problems, we study in detail questions in the payment and realization of labor and we completely forget about social guarantees. They eagerly take people up to 30 years of age into these collectives but show the door to those over 50. We like to talk about what a milkmaid gets for servicing 40 cows. But what does this mean? It is difficult and exhausting labor. What will become of an 18-year-old girl after 5 or 10 years, if she carries heavy pails and cleans up the manure on the family farm from morning until night? I would like for us to express our concern at the "round table" for the situation in these collectives. Are we losing the individual from these "progressive" forms of organizing labor? How do we see to it that labor legislation is observed in these collectives?

[V. Fokin] Sometimes things get to the point where they keep children out of school because they need manual labor.

[A. Zuykov] The primary thing in the conditions of the economic reform is the ruble and concern about the individual is secondary. When you meet with directors and begin to talk about people, they lower their eyes but they will talk with great pleasures about rubles.

#### Employment Services—Hopes and Reality

[V. Rushev] The dismissal of workers is just beginning. This is the first wave. We were able to dive under it and basically to swim free through vacancies, pensioners, etc., although many difficulties have arisen here as well, as the discussion has shown. There will be a second and a third wave and we must prepare ourselves thoroughly and learn from the mistakes and results of the first experience.

[I. Zaslavskiy] The layoff involves not just pensioners and persons with low skills. In the new stage, we will deal with people in mass occupations. And this is a qualitatively new level in the overall work in job placement. Are we prepared for this? In my opinion, we are not. Our employment services are not what they should be either.

[E. Bobrovnikov] We act first and then we start to think. At first we passed a decree and then it turns out that it is very difficult to carry it out. The entire process of liberation is practically uncontrollable. The employment services cannot exert any influence on it because as of today the mechanism of liberation has not been defined. When the problem arose, USSR Goskomtrud quickly began to establish this service. They can say that it existed. Yes, it existed but in a "semituberculous" state. And now little has changed, except for the sign: before it was an office and now it is a center for job placement, retraining and occupational orientation of the population. A dismissed worker comes and we say: we have 96,000 job openings, please go to the Motor Vehicle Plant imeni Leninskogo Komsomola; they need fitters there. He will go but no one knows whether they will take him. Under the conditions of the operation of the Law of the USSR on the Enterprise (Association), managers, covering themselves through the decisions of councils of labor collectives, often simply ignore our referrals. Hence there are very many repeat appeals. What can we do? Our functions are only those of a mediator; we do not create the jobs ourselves. For our referrals to be obligatory, it is necessary to make the appropriate changes in labor legislation and to give real rights to the state service.

[Yu. Orlovskiy] Unfortunately, citizens appealing to the employment agencies do not receive the help that they counted on. And this is in part related to the fact that the employment agencies do not know the real need of enterprises for personnel. The enterprises make requests only for jobs and positions that lack and conceal those vacancies that would satisfy the interests of an individual.

[L. Litovskiy] It is necessary through legislation to obligate enterprises to inform employment services of all vacancies right up to the director of a restaurant, who is customarily chosen through connections.

[A. Zuykov] They will cope with their task if we return to the centralized distribution of manpower.

[Yu. Tigalev] But it is infringing upon one's rights to send a person to work without considering his interests. He must have a choice.

[A. Zuykov] When the economy was developing extensively and the enterprises enticed each other's personnel and everyone was talking about the shortage of manpower resources, this was certainly just. A person could get settled wherever it was best for him. The question is now put differently: if we are able to place someone according to his occupation, then there can be no talk of location. And if he is sent to work that was found with difficulty, is this a good thing or an infringement of rights?

[A. Arzamastsev] What are we really infringing upon? I do not see any infringements. But when people are thrown out on the street without any guarantees, this is indeed an infringement. If we are serious when we say all

power to the soviets, it means all power to their agencies to manage the process of job placement.

[P. Rudev] Job placement through an office, as in Ufa and Kaluga, did not provide any guarantee of acceptance for work. This practice did not justify itself.

[V. Skitev] Then the function of job placement must be taken away from us. It would be better for us to set up an information center or office, which will collect information on vacancies and inform visitors of them. This is essentially what we are doing.

[Yu. Orlovskiy] It is clearly necessary to make some changes in our legal mechanism. It is necessary to return to the situation in which enterprises accepted people only on referral from the employment agencies. This does not mean that they cannot refuse to accept someone. But if there is no referral, all negotiations about the signing of a contract must be precluded. Only in this way, it seems to me, can an employment office influence these processes to some degree and resolve its tasks to a greater extent than is now the case.

[Ye. Antosenkov] Why is it mandatory to find employment through a bureau? This will be a monopoly of all functions in this area. Let our system gain authority among the population, let there be different forms of job placement and competition. The people will see that it is better to find jobs through our system.

[E. Bobrovnikov] What kind of competition are we talking about when enterprises conceal vacancies? If the people can find their own work, then the service is not needed. Meanwhile, the press rather frequently attributes the shortcomings in the organization of job placement to our work alone.

[P. Rudev] It was stated here that there are no rights. But not a single such service in the world has supplementary juridical rights. It is another matter that they have quite different possibilities, above all financial possibilities.

[V. Skitev] We were interested in how such a service works in the United States. There each category of people in need of employment has its own municipal program: for unskilled workers, housewives, the disabled, pensioners, youths, etc. The service takes part in the creation of jobs. We cannot do this, for there are no funds.

[P. Rudev] This matter is now being resolved.

[A. Arzamastsev] By the way, the creation of jobs is a very complex matter. It is hardly possible to resolve it, because there are no forecasts. It is necessary to know in advance where to establish jobs, how many and when.

[S. Blazhevich] It is strange but why is our service called a state service? What does it have to do with the state other than the name?

[V. Skitev] But a state service cannot be without rights. If there are no rights, this means that it must be closed. We

are not doing much to help the people who come to us. But the ones who come are the ones without protection, who cannot find work with a phone call. We lead them in a circle: go there, go here, perhaps they will take you. But we cannot really provide them work. I support the proposal on the necessity of making changes to labor legislation.

[P. Rudev] We cannot send a person to an enterprise without knowing whether the available workplace meets his fundamental needs. And there is still another "but." If we place people in jobs only through a bureau and refer workers on the request of enterprises, will we not be taking away from enterprises the responsibility for the building up of personnel and the establishment of stable collectives? For then the labor agencies must take upon themselves the entire responsibility for the provision with personnel. There is such a danger.

[I. Zaslavskiy] It seems to be that when we speak of the rights of the individual and the possibilities of the service, we should remember how these questions were resolved in the first years of Soviet authority. Many are now actively studying foreign experience. This is necessary and useful. But they sometimes get away from our conditions. Let us say that they want to copy the Swedish system of employment. To do this, however, we need to have a Swedish economy and Swedish workers who are highly qualified, educated and prepared to change jobs. We have a tremendous amount of unskilled manual labor. People have become accustomed to working at one place all of their lives. They were praised for this and contrasted with job hoppers.

I will return to history once again. In 1924, a system for the provision of employment developed in our country that was advanced for the time. Labor exchanges studied the labor market, regulated job placement and the retraining of personnel and evaluated the unemployed. Now we do not know what the person for whom we want to find employment is really capable of, what his real qualifications are and whether he needs to be retrained. In addition, the labor exchange organized public works, established cooperatives and even took control of liquidated enterprises and set up their activities through the efforts of those same unemployed people. If we study this system of employment carefully, it may be that we will find those similar aspects that will help to restructure the work of our services taking into account the new requirements.

[V. Skitev] We in our discussion are touching upon just one side of the problem—the rights of the services and the rights of the individual. But there is another side—real social needs. Look how many vacancies we have. At the ZIL Plant, for example, reconstruction is under way and they need hundreds of people in different occupations. There is a shortage of personnel in construction, trade, medicine and public catering. We are lagging particularly far behind in the service area, where only 27 percent of the work force is employed, whereas it is up to 60 percent in the developed capitalist countries. We have

many occupations and positions of low prestige. People, especially young people, are reluctant to go into these branches. Still, labor agencies must actively assist in the redistribution of personnel into precisely these branches, despite the difficulties and reluctance and even resistance of people. Of course these problems cannot be resolved through administrative-command methods. Here we need economic levers and a complex of different measures. Perhaps to stimulate redistribution into these branches we should utilize to some extent the means of enterprises that are freeing workers?

[Zuykov] If the payment for manpower resources were used only for the reproduction of manpower, for the nonproduction and service spheres and for the production of housing and the well-being of the territory, then it seems to me that enterprises would do this willingly. Complete confusion prevails here with respect to the payment for manpower resources: it is unclear whom to pay, how much, for what, or for what purposes funds will be expended.

[A. Arzamastsev] For people to go work where there is a need and to find permanent jobs, it is necessary to mold their interests and to deal seriously with occupational orientation. In the final analysis, occupation orientation pursues the objective of making rational use of manpower resources, combining public and personal interests. It is also closely linked with the retraining of personnel. For it is necessary to determine what a person is capable of doing before retraining. And this is the prerogative of the labor agencies. It is their business. I think that the difficulties that we are encountering in job placement are essentially the omissions of occupational orientation. In Moscow Oblast, the direct losses alone from the fact that graduates of vocational and technical schools do not find permanent work at enterprises amount to 37 million rubles. Only 25 percent continue to work where they were sent.

[V. Skitev] The redistribution of manpower resources is closely linked with the retraining of personnel. For many have to change occupations and be retaught. But no one yet knows how and where to do this. In our opinion, the USSR State Committee on Education must actively deal with retraining. Indeed, USSR Gosobrazovaniye has a training system and there is a powerful base and personnel. The labor agencies have none of this. The retraining of freed workers differs from traditional training. There are different goals and different tasks. It is not necessary to spend a lot of time teaching those who are released, as is done in the vocational and technical schools. It is a matter of teaching new occupations to people who already have a certain educational level in a short time, taking into account their previous specialty. For example, many translators are being released from a number of organizations. It is clear that it is necessary to organize their retraining in such a way that they can work, let us say, as editors, clerks, dispatchers and the like. But there are no such short-term courses. But to speak again of the experience of the United States, Japan

and other capitalist countries, workers wishing to receive a different specialty are taught at state expense there.

[V. Rushev] We were unprepared here as well. There is no developed concept and no methodology, recommendations, base, personnel or money. But no one is concerned about how the employment agencies will make out. Practical assistance is required from science and from USSR Goskomtrud on the entire complex of questions that were raised here.

[E. Bobrovnikov] As a rule, dismissed workers with low skills are referred to an enterprise. And it has to pay their wages and bear the costs of training them. But there are no guarantees that such workers will stay after their training, that they will not find work elsewhere. How can they be induced to stay? It is clear that some sort of economic control is needed.

[A. Zuykov] Why not shift at least part of these costs to the enterprise that released the worker?

[I. Maslova] It seems to me that obligating the enterprise to pay social compensation in connection with the dismissal and retraining of workers must be seen as a temporary measure until a mechanism is worked out for the accumulation of the necessary means for these purposes and the sources for their formation are specified. These payments act as an anti-incentive for technical progress, the saving of living labor and full cost accounting and contradict the new economic mechanism. It is necessary to establish a centralized territorial fund for these needs at the disposal of the local soviets of people's deputies (of the insurance-fund type), from which social payments and compensations can be made and the organization of retraining can be financed.

A few words about the establishment of the system for the financing of the employment services. This is a very significant question. We were captive to stereotypical decisions. Since all state enterprises are now going over to full cost accounting, the offices did not escape this fate either. Meanwhile, the functions of the offices are changing dramatically. They have an increasing social role in assisting the population in the selection of work, whereas in the conditions of the labor shortage they helped to staff enterprises with personnel, for which they received the corresponding payment from them. The enterprises are now less interested than before in the services of the offices in the referral of workers. It is unnatural to make payments for people whom they dismissed. Obviously it is necessary to reexamine the customary system of financing and to change over to budget financing.

[A. Zuykov] Whereas in the past we experienced financial difficulties, now, especially with the transfer of the services to cost accounting, we have become dependent upon enterprises and construction projects. We are starting to play up to them instead of carrying out our own independent policy. I think that there should be budget financing only.

Still another circumstance needs to be considered. The enterprises pay for manpower resources and for the services that we provide them. And they reasonably object: if we pay for manpower resources, then the expenditures for your services should also be included here.

[E. Bobrovnikov] What are we supposed to be, a state service or a commercial organization that will earn money in guaranteeing the right of working people to labor? I would like to receive a constructive answer to this question from USSR Goskomtrud.

[P. Rudev] It must not be envisioned that all expenditures will be covered by cost accounting receipts. It is foreseen that an office can be half financed from the budget of local soviets. In a number of republics, however, they categorically refuse to transfer the services only to the budget. If they are under the budget, how can they develop? The budget will not permit this.

[S. Blazhevich] It all comes down to the fact that the ispolkoms are not paying. And we found ourselves in a difficult position. We have no means of paying wages to our workers.

[L. Litovskiy] USSR Goskomtrud must see to it that the local soviets provide us material assistance.

[A. Arzamastsev] We are actively discussing whether or not cost accounting is applicable to employment services. In essence, however, we have not tried to work under real, full cost accounting. New conditions are now being established. Territorial cost accounting will soon be introduced. I am certain that we will find some new forms of relations with enterprises and the local budget. It may be that this will be budgetary cost accounting. I do not deny that it is difficult to work and there is not enough money but it is interesting. It is also necessary to consider the financial position of the country—the deficit in the state budget. I do not think that they will allocate us any money from the budget at the present time.

[V. Rushev] Practice shows that it is necessary to combine both forms of financing. For example, the retraining of personnel, if we begin to involve ourselves in it, must be under cost accounting. We will not satisfy the needs of enterprises in this area at our own expense, if they are interested in this.

[I. Maslova] Perhaps to supplement the state system of job placement we could establish cooperatives that would perform this work on a contractual basis. The priority, of course, must remain with the state.

[A. Arzamastsev] It is necessary to think about this. I fear that the provision of employment for those released could become a source of profit and that cooperative members might offer their own contractual prices without considering what the rates are and how much to collect for what.

[L. Litovskiy] I want to take this opportunity to touch on a sore point—the technical provision of our services. It is impossible to manage manpower resources without computer technology. This is axiomatic but it has not yet reached the awareness of those who are responsible for this. USSR Goskomtrud must become a true holder of capital for computer technology. We also need it for the creation of information files. The means for the collection of information that we receive from enterprises are antiquated. This is apparently the reason why we do not yet have a system for the management of manpower resources.

If each labor agency has a data file, questions in job placement can be resolved, without being limited to the region, through direct contacts by teletype and other services. We find out that somewhere there is work that suits a person has has appealed to us, we offer it to him and he can go.

[V. Rushev] We have long been talking about computer technology but essentially we have none here. The tasks in the provision of employment cannot be resolved without it. At the same time, equipment stands idle in many enterprises and organizations. When are we going to go from talking to the real equipment of our services with up-to-date technical systems?

[A. Zuykov] And with personnel, above all those people who are capable of performing occupational orientation work in centers. We are not even prepared to provide qualified consultation. We are carrying out the most elementary functions: we reveals shortages for some particular occupation and advertise.

[E. Bobrovnikov] The question of personnel is central, of course. In our system, however, there are not yet personnel who could perform this work at the highest level. We need labor economists, jurists, psychologists and sociologists. But who will go for 120 rubles? And the country has a shortage of such specialists.

[A. Arzamastsev] But here we need not merely specialists but superspecialists of the highest qualifications. I would say that this is a major political question.

The employment services need to be made strong and independent and given substantial rights. It is necessary to provide them with up-to-date computer equipment and to strengthen their financial position even to the point of issuing grants.

[S. Blazhevich] People need such a service. It must be social protection for the individual. They dismiss those who are weaker, who then come to us for help.

#### **New Approaches Are Needed**

[Yu. Yakovets] Our conversation convinces me that in many aspects employment policy is not yet developed. Although good words have been written in decrees, there is no system behind them. The increase in employment is not a goal in itself just to occupy people but the



realization of the constitutional right to labor while improving its conditions and raising efficiency. The better we utilize the labor potential, the higher will be labor productivity and the sooner it will be possible to raise the well-being of the people and to saturate the market with commodities. Employment, labor productivity and well-being are links of the same chain. And here it is important to comprehend the experience of developed capitalist countries, in relation to which our perception of the problem of unemployment is oversimplified. In Japan, for example, the employment of the population is increasing along with productivity. In 1985-1986, the unemployment rate there was 3 percent and now it is less than 2.5 percent. The same thing can be said about Sweden.

[Ye. Antosenkov] To resolve employment problems, it is necessary to have a completely different view of the objectives and tasks in the development of productive forces and production efficiency and to renounce stereotypes.

[I. Maslova] We are reaping the fruits of a far-sighted policy. The problems in the regulation of employment and its study were separated from other reproduction processes. Let us take the standard of living. How does it influence employment? Because of the low standard of living, people take any job that pays more. And here many complex problems arise that have to do with the reproduction of manpower, technical progress, capital investments, the increase in labor productivity and, the main thing, with the imbalance between the population's demand for goods and services and the possibilities of physical production. If the proportions of public reproduction are violated and if we pay out a 13th wage not covered with goods and services, there are no incentives for labor activity. The individual cannot realize the money received. It is not an incentive to spend it just for vodka or to buy commodities secondhand from a profiteer at outrageous prices. And finally, employment cannot be efficient if in our shortage of manpower we have a surplus of it at each enterprise.

[Yu. Yakovets] Only a broad and multidimensional approach to the resolution of employment problems produces real results. One of the most important directions is the comprehensive development of production forces taking into account regional, natural and demographic features. I will explain. Let us take the Central Asian republics. Here for decades they took a one-sided approach to the development of productive forces and they cultivated a single crop—cotton. They built large enterprises without considering their provision with manpower. As a result, they are not working at full capacity. A significant share of the raw material produced here is exported to other regions for processing. The social infrastructure is poorly developed. The level of health care is the lowest and infant mortality is high. At the same time, almost one-fourth of the able-bodied population is not employed in public production. The situation would be quite different if they developed small enterprises of the most varied nature in which the

local population would work and if they carried out the comprehensive processing of raw materials. A new regional structural policy is needed.

[I. Zaslavskiy] We are shifting from a monostructural, essentially nationalized economy to a truly socialist mixed economy, in which different kinds of socialist ownership exist under equal conditions. One must not apply the same yardstick to everything. It is necessary to proceed from specific economic conditions and regional features. What is appropriate, say, for Latvia will not work for Georgia. Our system must be based on the principles not only of centralism but also of self-administration and take into account the specific nature of the regions.

[V. Rushev] It is necessary for there to be a direct and reciprocal link between the development of productive forces, the application of new technologies and the employment of manpower resources. We do not have this. We first build a plant and bring in the equipment and then we think about who will work, what specialists are needed and where to recruit the workers.

Forecasts are badly needed. Without them we are working in the dark and we do not know what to expect with respect to the development of technologies. And new technologies must also be evaluated from the point of view of how they change labor and its conditions, how many people can be released, what occupations and specialists will be needed, what should be taught and how, etc. In other words, we need an in-depth social and economic study of new technology. For this reason, USSR Goskomtrud should work in close contact with the Committee for Science and Technology. It is precisely there where scientific and technical policy is shaped.

We often do not understand how productive forces will develop in the long term, what enterprises will be built where, etc. Here we need an operational link between labor agencies and planning bodies.

[Yu. Tigalev] Competent forecasts are possible if one has local information. We do not have information files with knowledge on manpower resources that must be skillfully distributed and redistributed, placed in jobs and retrained in the near and distant future.

[I. Zaslavskiy] This is still being done quite conditionally. Let us suppose that there is a planning target for raising labor productivity more rapidly than national income. A calculation is made of the kind of release from physical production to which this will lead. Proceeding from the targets, one can obtain any figure in this manner. But hardly anyone knows how things are in real life. It is necessary to forecast real processes only.

[Yu. Yakovets] Particularly needed are different forecasts of employment—All-Union, regional, branch and multivariant. One should not make a state secret out of them so that one can discuss, analyze and select the most efficient of the possible versions.



[P. Rudev] A forecast presupposes knowledge of the needs and sources for providing the national economy with manpower resources; the formulation of balances of manpower resources and jobs; the identification of the real need for personnel (planning bodies are still writing into the plan what the ministries and departments give them). In this connection, [it is necessary] to organize occupational orientation work, to work out plans for occupational training in all forms of instruction, and to define precisely the concept and system for the management of manpower resources. The latter is especially important, for it will make it possible to resolve problems in the next five-year plan successfully.

I want to return to the decree on employment. Many critical comments were made today. But if we are objective, we should recognize that this is nonetheless a step forward, a first attempt to develop social guarantees and an employment mechanism. The decree has helped to get things moving.

[Yu. Yakovets] Are we not deceiving ourselves with this system for managing manpower resources in the country? This may look good on paper but how will it be in life? Can it be realized?

[I. Zaslavskiy] It seems to me that quite different approaches to the provision of employment will arise. In particular, it is clear that we will not deal with the job placement of everyone but only of those who really need it.

[A. Zuykov] It also very important to consider the psychology of people. The layoffs are taking place painfully. Many do not want to leave the labor collective and do not agree with the wording of the notation in the labor book or with the reduction of their position even while maintaining the previous wage. The attachment to the

labor collective is so strong that those laid off return as soon as a vacancy shows up. It requires a very delicate and careful approach to the people who have no intention of working outside their own collective.

At the same time, when a candidate for dismissal learns of the reduction, he takes offense and leaves at his own will.

[Yu. Tigalev] The managers of branches and enterprises do not yet understand the entire complexity of the problem. On behalf of the participants in our meeting, I would like to express our profound concern in this connection.

[S. Semenov] We exchanged opinions on a large number of problems. They did not arise today or yesterday. Perestroika merely illuminated them but the transition to new methods of management made them acute. They need to be resolved and immediately, without waiting, as was said here, for the second and third wave of layoffs. I share the concern expressed by the participants in the "round table." It even appears that we were a little late in discussing the problems of employment.

I hope that our meeting will give a new impulse to the comprehension of the extremely complex processes taking place in the society and will make it possible to find correct approaches to their management and to eliminate the indicated shortcomings. Glasnost and openness are the guarantee of the successful resolution of the problems that have arisen. Success can be achieved only by considering the opinion of all interested sides and through the combined efforts of workers, labor agencies, ministries, departments, enterprises, soviets of people's deputies and scientists.

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## CIVIL AVIATION

### **Aeroflot's Shortcomings Attributed to Market Monopoly**

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[Article by Professor V. Shilo, Civil Aviation Academy:  
"A Lack of Inspiration Is Inherent in Any Monopoly,  
Including Aeroflot"]

[Text] As prominent American production management consultants T. Peters and R. Uterman maintain, the saddest thing in the life of large corporations is the loss of innovation, i.e., that quality which also enabled them at one time "to make their way in the world." Per dollar invested in scientific developments, small companies yield one-fourth more innovations than average-size companies, and 24 times more than large ones. In the opinion of these two experts, prosperous companies consciously use mutual competition of their own departments and even groups of engineers. But the concentration of more than 500 people under one roof—regardless of what sector is involved—gives rise to unexpected problems.

The central management apparatus of Aeroflot alone, the largest airline in the world, in Moscow numbers about 1,500 employees. Is that not why problems, unexpected for other companies, became constant for our airline super-monopoly? In particular, for decades it has been carrying out scientific tasks for increasing flight safety, organizing flight operations, economics of using air transport, technical servicing, and diagnostics of aircraft system failures. Hundreds of millions of rubles have already been spent on this, with virtually no results: No one is interested in introducing someone else's developments, even if their timeliness is obvious. For example, back in 1975, an automated system of navigation calculations was created, but it was used by only a few aviation enterprises, and then only thanks to the enthusiasm of individuals. Researchers are struggling to keep body and soul together in order to give life to new methods if only at one of the hundreds of enterprises of the sector, but some time later the introduced innovations fade, since their authors cannot constantly be on assignment to resuscitate their brainchild.

The super-monopoly is indifferent to the personality; a person's experience and knowledge play virtually no role for it. Its structure is such that all workers are assigned by categories depending on their position. Say, deputy ministers belong to the 15th category; chiefs of ministerial and regional administrations and other equivalent managers belong to the 14th category. A professor is in the 11th category, on a par with service chiefs of an airport. Therefore, it is just as easy to fire a professor whose point of view does not agree with the opinion of someone in a higher category as it is to retire a aviation enterprise specialist.

These position categories cannot be explained either by the period of stagnation or by the gloomy Stalinist "Middle Ages." Their genealogy dates back to the table of ranks instituted by Peter I and which made bureaucracy flourish in Rus. Today's exercises to restore this tradition would appear amusing, if our bureaucracy had not matured to the point of being a caste system. It is namely this bureaucracy that must assume responsibility for the fact that Aeroflot's activities are accompanied by a chronic lagging behind in all areas. The most striking example of its inefficiency is the average length of time one aircraft or helicopter stays in the air in a 24-hour period. This factor is influenced by such factors as the need for landing and dropping off passengers, loading and unloading, refueling, technical servicing and routine repairs of the aircraft. The leading Western companies have managed to see that their airliners are in the air 12 hours. And this is not a limit. For example, aircraft with the emblem "Deutsche Lufthansa AG" fly almost 14 hours in a 24-hour period. Our main indicator of the level of flight organization is simply not calculated. According to unofficial data, it is 4-4.5 hours for Aeroflot transport aircraft.

They create any kind of equipment as long as it operates and brings a profit. Even something new just manufactured is already outdated. Therefore, it must pay for itself as soon as possible and provide funds for producing products of a higher level. But such an axiom, as well as laws of economics as a whole, is not for a super-monopoly which does not know what competition is. What does this lead to in practice? More than 40 years ago, an aircraft was designed for treating the fields of kolkhozes and sovkhozes. No replacement for it is foreseen. Even in the extreme conditions of Antarctica, an aircraft is being used that was designed in the 1950's for transporting passengers on domestic routes. Endless capital repairs make it possible to resuscitate these relics. The total cost of these repairs exceeds the costs for manufacturing the same number of modern aircraft and helicopters.

The figures I cited for the daily flight time of Lufthansa airliners indicate that this company would require a third of the aircraft to make the transport flights made by Aeroflot. Our airports are literally clogged with aircraft that have been inoperative for a long period of time. And it makes no difference to anyone. You see, it is a state monopoly; it cannot go broke even if it wastes billions in funds.

Aeroflot needs a huge aircraft and helicopter fleet in order to smooth over the acuteness of the problems that constantly crop up due to the poor organization. The surplus of equipment makes it possible to maintain the slightest bit of regularity of transport aircraft flights and preserve the backward preventive maintenance system which was born at the beginning of aviation and has not improved fundamentally since then, but has only become more complicated due to the complication of the objects being maintained. The surplus of aircraft

explains their lengthy repair at long ago outdated enterprises. The surplus makes it possible to be content with the antiquated equipment for troubleshooting aircraft malfunctions during maintenance and repair, which is the cause of the many hours and sometimes many days of being kept on the ground and forces them to accept the "traditional" methods of decision-making by commanders, although these methods lengthen the pre-flight preparation of aircraft and result in an increase in the number of landings at airfields other than the destination due to weather conditions.

The leading foreign airlines surpassed us long ago in all this. They ensure flight regularity, for example, primarily thanks to the latest means of making aircraft landings and accomplish technical maintenance not according to a rigid schedule, but taking into account the technical condition of the systems. The commanders of the airliners make decisions using modern computers, quickly and reliably.

Computer technology, or more precisely the lack of it, is a problem both for the country as a whole and for the airline monopoly. But even those scare computers (particularly personal computers capable of interfacing with man) which Aeroflot possesses are used much worse by them than by other sectors of the national economy. The reasons are purely subjective.

Even a laconic analysis of the activities of the largest airline in the world leads to the conclusion that the sector has stopped in its development due to clumsiness and conservatism. Constructive ideas capable of bringing it out of the deadlock die away in the constant rumble of plans, slogans, and social commitments. Only a radical breaking of the current centralized system of organization will help to bring order and break the vicious circle of mismanagement and disorder. As many experts believe, the very first and long overdue step is to eliminate the Ministry of Civil Aviation and grant complete independence to regional administration. This involves creating under the conditions of true cost-accounting 14 air lines in the union republics and 13 in the Russian Federation. This is not so many, if you consider that in Iceland, for example, there are 3 airlines for 200,000 people.

In other words, we will have Ukrainian, Belorussian, Latvian, Moscow, Far Eastern, and other airline companies. At first, they will begin flying according to a schedule drawn up in advance. When the laws on competition go into force, some airlines that have managed to restructure themselves completely will gradually expand the sphere of their interests at home and abroad, and the rest that have not freed themselves of the stereotypes of Aeroflot will simply go broke.

Direct ties with plants of the aviation industry will enable aviation enterprises to purchase the necessary amount of the latest aviation equipment. Under contracts with them, the State Scientific Research Institute of Civil Aviation will draw up documentation for flight

and technical operation of aircraft. Mutual relations with other scientific research institutes, VUZes, and scientific cooperatives will be structured on a contractual basis. Under this system, there will no longer be a need to feed incompetent and lazy workers "from science," which the ministry is diligently engaged in. The State Aviation Supervision would take over revising and approving the normative acts on which flight safety depends and monitoring functions. Professional training of flight personnel, air traffic controllers, and engineering personnel would be accomplished using deductions from profits of the airlines.

This is how to radically restructure a sector whose activities are evoking so many reprimands today.

### Minister Interviewed on Aeroflot's Problems

18290233 Moscow PRAVDA in Russian  
21 Jul 89 First Edition p 3

[Interview with Aleksandr Nikitovich Volkov, USSR minister of civil aviation, by V. Loktev and A. Fedotov: "Let Us Come Down From the Sky"]

[Text] PRAVDA has analyzed problems related to Aeroflot's work time and again. And the editorial staff has related the consistent interest in the processes under way in the sector with its great social importance for the country and for millions of passengers.

On the other hand, civil aviation has been one of the inaccessible areas for normalizing, constructive criticism for many years, which has given rise to an entire "array" of serious problems which require immediate "treatment." This legacy of the "ministry of closed doors," as this department was called in one of PRAVDA's articles, is what the sector's new manager has encountered.

Has Aeroflot "left" those times far behind? What has the ministry managed to do during this time, and what hasn't it had the energy to do yet? All this became an incentive for a discussion with Aleksandr Nikitovich Volkov.

[Loktev, Fedotov] Aleksandr Nikitovich, you were recently appointed to the post of minister of civil aviation by the USSR Supreme Soviet.

There are a considerable number of problems in the sector, just as there are complaints about Aeroflot, incidentally. Let us begin with the fact that Aeroflot's customers are worried today, during summer vacation time. Is air transport prepared to meet face to face with the numerous passengers? What has been done and is being done in the interests of providing service for the people?

[Volkov] The vacation peak period is always a test for us. Although transport volume and the number of flights are increasing every year (6 million more persons were carried in 1988 than in 1987), the demand of 15 million passengers is not being met and their service is far from

irreproachable. How do we get out of this difficult situation? In objectively assessing the aviation fuel situation and the difficulties in obtaining new equipment, we are basing the program to meet the demand on more extensive use of aircraft with high fuel efficiency, which today include the Il-86, Tu-154M and Yak-42; improvement in airways and the flow of traffic; and selection of the best engine power settings and flight levels.

All the same, this is poor consolation against the background of long lines at ticket counters, especially during the vacation period, and against the unsightly background of airports packed with passengers like sardines who are waiting for a flight and have nowhere to spend the night...

The problems are old ones, like this world, but we are trying to solve them. We are receiving support and understanding in the government and the party's central committee. The center of gravity today has been shifted to the regions that are remote and not easily accessible in the East and the North. After all, there are vast territories here that are "taking wing" both economically and socially. For this reason we have begun reducing the frequency of short flights where they are backed up by other forms of ground transport and where the network of good roads and railroads has been developed...

But then the routes in increased demand will be serviced much more productively and intensively. In the current summer season alone, 16 out of the 33 new airways have linked areas in Siberia, the Far North and the Far East with the country's center and its resort areas—Tyumen with Sukhumi, Murmansk with Anapa, Vladivostok with Mineralnye Vody, and so forth. An additional 1,640 flights have been introduced to take passengers to remote areas during the summer, which will make it possible to carry over 500,000 persons—the population of a large city.

It is planned to serve over a million additional passengers by these steps.

Of course, this is only a partial solution of the critical problem of meeting demand, but it can be resolved mainly by increasing the limit of fuel by 600,000 to 700,000 tons annually, which will make it possible to increase the number of passengers by 5 million.

[Loktev, Fedotov] Many of our readers associate the problem of meeting demand and improving the quality of service with the condition and prospects of domestic aircraft and the possibility of purchasing or leasing highly efficient aircraft abroad.

[Volkov] It is common knowledge that Aeroflot's current fleet is becoming obsolete. Meanwhile, the development and introduction of the new Tu-204, Il-96-300, Il-114, An-70, and An-74, as well as an agricultural aircraft and helicopters, are behind schedule. Only 50 percent of the deliveries of Yak-42M and Tu-154M aircraft planned for the five-year plan are being provided for. As before, we are experiencing a critical shortage of aircraft engines, and dozens of aircraft are idle every day because of this.

We are well aware of the problems of the Ministry of the Aviation Industry, but we have no way out of the situation that has developed other than to order the modern equipment needed by making use of competitive selection and by not ruling out the possibility of considering the most acceptable offers from foreign firms.

[Loktev, Fedotov] The deputies were noticeably interested in your views on improving the economic mechanism and the management structure in the sector.

[Volkov] Different suggestions in this area based on scientific studies and practical experience are being considered by the ministry. In particular, we intend to raise the status of republic and territorial civil aviation administrations to the level of airlines, giving them broad independence to resolve the problems of meeting demand for flights and providing passenger service. At the same time, naturally, we must bear in mind the necessity of adhering to intergovernmental agreements with respect to air service.

We also see the center's role under these conditions in performing the state tasks of coordinating the utilization of civil aviation; in defining the strategy for socioeconomic and scientific and technical development; in developing flight safety standards; in certifying airports, aircraft and equipment; and in organizing personnel training.

[Loktev, Fedotov] We have passed on from passenger matters and technical and economic matters to a subject of fierce disputes for many years, to the "supplier" of numerous complaints from Aeroflot employees at all levels—the regulations on the discipline of civil aviation employees.

It seems particularly paradoxical to us who have studied the problem. Apart from the Army, the regulations still exist in 14 sectors which in principle have been oriented toward discipline related to that in the Army. But why don't the Army's regulations lead to opposition? On the contrary, a wave of criticism has been aimed today against the "nonregulation relationships" in the Army that have disappeared for the time being. But in our case, in Aeroflot, everything is the opposite: the regulations are provoking widespread indignation, and they are comparing them here with a club for leveling out the "unsatisfactory" ones, that is, the ones that are objectionable...

[Volkov] From the first days I was inundated with complaints 10 to 15 years old which were linked in one way or another with the use of the regulations on discipline. I began studying them and realized that they were all the result of incorrect interpretation, or let us say, one that was "convenient" for a supervisor, of a regulation paragraph. These regulations were unimportant as soon as it was easy to turn them around at one's will, like a weathervane. In addition, they were oriented toward a strict "tightening of the screws." After all, it is expensive for a specialist with a pilot's certificate, an engineering pilot, to stumble somewhere—and a person can be deprived of his profession and brought down to the ground, in a direct and figurative sense.

I thought about this a great deal, and I consulted with the collegium, and we devoted a special session to this. And as a result we arrived at a viewpoint that is risky, compared with the traditional, deeply rooted one, but one which I am convinced is correct, to discuss the advisability of the regulations today with the people. And if the opinion of the majority of aviators in local areas is that the regulations are not needed, I as a military man, accustomed to living and acting in accordance with the regulations, am prepared to sign a petition without hesitation to the USSR Council of Ministers to abolish them.

And as far as the regulator of production relationships between the administration and the employees in our sector is concerned, that is the KZOT [Labor Code], you know. It should only be utilized intelligently and with legal competence. After all, the best method of protection against willfulness and petty tyranny is a clear conception of one's rights...

[Loktev, Fedotov] So we have come to problems that were unknown before restructuring in the society. Some fearfully rank them with the "dissipation and unruliness" of democracy, and others say they result from the people's awakened consciousness. No matter what you call them, however, the fact that people have become more susceptible to all kinds of unfairness and that they protest strongly when attempts are made to apply a "regulation approach" to democracy cannot be ignored. And the public's sharpened "vision" cannot be corrected by rose-colored glasses...

The Ministry of Civil Aviation, where an informal organization—a so-called initiative group—has been formed, has not escaped these processes, either. Or examples from the editorial staff's mail—such as the refusal of air traffic controllers in the Moscow AS UVD [Automated ATC System] to receive their wages and the conflict between loaders and the administration at Domodedovo, let us say. There is one cause—the violation of social justice. But after all, the conflicts have come to a head, as they say...

[Volkov] They came to light because the people did not take heed in time. After all, the shortcomings were accumulated for years, until the time came when the boil broke open. But were the problems of the organization and wages of the AS UVD controllers really a secret to the ministry?"

[Loktev, Fedotov] Here is one more substantial factor, in our view. The desire to act with forceful methods, in the old, outdated manner; once the "genie" is let out of the bottle, to drive him back in with a hammer. After all, in the words of Aeroflot veterans, members of the initiative group, this is the way they have been attempting to drive the movement supporting restructuring in the sector "back into the bottle."

[Volkov] Those who hide their head under their wing, trying not to notice the "delicate" cases, and those who do not mind drawing their swords are not extinct in the

sector yet. Neither tactic is overlooked today. We need tolerance for different opinions, "maneuverability," the ability to reach a reasonable compromise in any disputes, and most importantly, a sincere desire to understand people, to really help in a practical manner, and to skillfully correct an unfavorable situation.

After all, in the final analysis we were able to meet the same initiative group halfway when we sensibly gained an understanding of its complaints and found a helper in it, not some kind of opposition. Now the veterans are a part of the Aviation Workers Trade Union Central Committee—its nonstaff department.

[Loktev, Fedotov] And has the ice been broken with the controllers?

[Volkov] Yes, in the collegium which we held jointly with the presidium of the Aviation Workers Trade Union Central Committee, we examined the questions of improving the organization and wages of controllers in the automated systems.

Nevertheless, I am still left with a feeling of dissatisfaction. All this could have been done a little more efficiently, you know. But "the padded effect"—when they do not "hear" the glaring problems nearby because of alleged state problems—still survives in individual offices of our ministry. There is something to think about here, and there are conclusions to be drawn...

[Loktev, Fedotov] Most likely the sector's manager has spoken of "the padded effect" not without purpose. We judge this by PRAVDA's mail. Nevertheless... if I have caught the minister's meaning, just how can it be for the workers against whom this "effect" is directed?

Unreceptiveness to what is new is not a frivolous prank, not harmless color blindness. As a rule, it is a department's fear of any independent action from "the lower classes"; it is really better to use less salt than needed than to use too much of it. More specifically, the categorical reluctance to lose one's position and to relinquish the "driving belt" which links the staff organs with subordinate collectives. As far as we know, it was stated authoritatively within this ministry two years ago, when managers were being elected all over the country, that elections were not an order for the sector.

But they did not prohibit elections either, by the way. The hide-and-seek game of "the specific nature of aviation" did not help, either.

[Volkov] We are now electing right up to the chiefs of administrations—and the employees are quite good, I would say: they elected graduates of the Academy of Civil Aviation and persons trained by these same collectives as chiefs of the Belorussian and Urals Administrations. And in Arkhangelsk there was a real surprise: a "right-seat" pilot—a copilot—became the chief of an aviation detachment, stepping up many rungs of the ladder at once. And we did not start sounding the alarm; on the contrary, we recommended that the Arkhangelsk Administration help the employee who was promoted to

gain experience. Today, as an example, 31 of the 33 chiefs of territorial administrations have been elected.

[Loktev, Fedotov] Well, times are changing. Are the people changing—the departmental personnel of the old strain who have been “doomed” to direct restructuring in the sector, so to speak?

[Volkov] Well, why have they really been “doomed?” I personally am not pleased with everything in the sector. And I look at the current placement of personnel not as a chess position that has been frozen—I am trying to understand the game and make the move needed in time.

But if you digress from allegories, a change and improvement in staffing is already under way, although perhaps not as vigorously as it ought to be. I am not one who likes to act in haste. I am accustomed to sizing up a manager and learning what he is suited for and what he is not suited for, and then deciding later. There is one criterion—businesslike qualities.

We have replaced the first officials in our ministry's leading main administrations—the flight, economic, and scientific administrations—on this basis. We reelected party committee secretary Ye. Bubnov, who was not evaluated highly at the ministry's party conference. We came to the understanding that I. Vasin, the deputy minister for flight services, is more suited to another area of work in the sector because of his character and professional qualities.

I believe that the process of strengthening staffing will not stop with this. The ministry collegium and I have raised many questions with the managers of the sector's personnel service...

[Loktev, Fedotov] Reason to rejoice, it could seem. But we understand the changes in staffing to be not only a partial shuffling of positions, but a further break in those of its traditions that are not the best, which were mentioned in the article “The Ministry of Closed Doors,” for example—rejection of mutual responsibility, the strictest selection of personnel sent abroad, to the point of being overscrupulous, and increased exactingness toward the moral makeup of a communist manager.

But how has it actually turned out? All the “antiheroes” in PRAVDA's articles, as if to spite the newspaper, have been transferred without fanfare in accordance with the “shuttle” principle.

[Volkov] I do not consider it necessary to dispute, to whitewash, what has taken place, and this is senseless under the conditions of glasnost and democracy. A principled party assessment has been made of it, in my view. And as far as the supposed malicious intent in reassigning personnel is concerned, in accordance with the “shuttle” principle, as you mentioned, you can take my word for it: they are not the winners in a moral and material sense. Every person should have the chance to turn over a new leaf and demonstrate that he understands his mistakes. After all, the situation is not the same today as it was before. It compels people to work more energetically and

conscientiously and breaks down their previous stereotypes. We must now consider not one, but several competitors even for the position of member of the ministry's collegium. I can confidently say that “sons” and persons chosen at random do not pass through this “sieve”; they always remain on its surface.

[Loktev, Fedotov] We want to quote a letter from the secretary of one of the party organizations in the North Caucasus Civil Aviation Administration concerning interaction between party committees and political departments: “We have relations with the chief of the political department which only complicate the work. He looks at any decision from the party organization through a ‘magnifying glass’ and makes ‘political generalizations’ on each occasion, or else he openly ‘vetoes’ the communists’ point of view.” Is this normal? Isn't the superstructure—the political organs that have been established—unnecessary?

[Volkov] I consider any “internecine dissension” between party and political organs to be abnormal. Each one has tasks that have been strictly outlined: the party committee engages in party work firsthand, and the political department carries out the overall political line. In the final analysis their job is the same—unifying and educating the party members. As allies and not rivals—this is the way that any question should be raised and resolved.

But with regard to “arrogance”... Can't any person with a high opinion of himself and self-assurance be found among party committee secretaries as well? It is another matter that in this case they are occupying someone else's place. In the final analysis, everything turns on the personality of the manager—whether it is the party committee or the political department, they should be headed by real leaders: principled and honest persons who know their job.

[Loktev, Fedotov] Another question which we cannot avoid as soon as we decided not to sidestep problems and discuss them without glossing over the truth. The number of aircraft accidents over the past 2 or 3 years makes one wonder...

[Volkov] According to statistics, there is one aircraft accident every million flights. Any form of transportation on the ground is many times worse than this. But is this really cause for complacency? The guarantee of safety is job number one for us and for me personally.

Very likely the easiest thing is to lay the blame on the “man at the switch” here: the lack of discipline among the pilots and controllers and indifferent implementation of the requirements of documents regulating flights are to blame, they say.

The outdated ground facilities (roughly 60 percent of the vacancies in Aeroflot's ground facilities have been filled) and certain provisions in regulatory documents that are excessively inflated, sometimes contradictory, and to put it bluntly, incorrect, are a stronger cause for concern.

What explains this? Overcautiousness. If there is an aviation accident, the psychology snaps into action: watch out! And a particular fact that is often simply incidental which the commission has brought to light in investigating a disaster becomes an additional restriction—in altitude, in speed, in maneuverability... Just try not to get tangled in the restrictions, additions, and refinements as fast as they grow, just like a snowball, and they haven't been changed for years...

[Loktev, Fedotov] You probably won't call today's discussion publicity. But where another minister deliberately sidestepped a critical question that was raised—and we have had such cases—you gave us an answer that was just as direct. Answer one more, please: what stirred you at the moment of that unflattering rumor?

[Volkov] The desire to remove the question. The more unanswered questions that accumulate, the stricter and more unpleasant the answer we have to give; I see no sense in being lulled by the awareness that shortcomings "not noticed" by you will not be noticed by others, either. Even if not today, then tomorrow, what is secret will become apparent, but more cock-and-bull stories will accumulate.

For this reason, I always treat honest and constructive criticism not like sugar, of course, but without taking offense and without a fuss. I try to draw conclusions from this and to put minuses to work in order to turn them into pluses in the final analysis.

For example, not long ago associations of cockpit personnel in civil aviation and air traffic controllers were established. I do not expect just fanfare from them to glorify the ministry's activity. I foresee a considerable number of critical problems which we will have to resolve together. And I have no desire to "hush up" the questions raised, even if I fundamentally disagree with them.

## RAIL SYSTEMS

### **Rail Accident Investigation Findings Reviewed** *18290238 Moscow TRUD in Russian 23 Jul 89 p 2*

[Response by G. Kozlov, deputy minister of railways and chief of the Traffic Safety Main Administration; A. Shkrebits, chief of the Transport Administration of the USSR Procuracy; and V. Lyseyko, senior investigator for especially important cases attached to the USSR Procurator General, to TRUD reader's letter: "The Court Will Establish the Details"]

[Text] We are living in an era of glasnost. But the worst accidents have been taking place on the railroads lately—Sverdlovsk, Arzamas, Bologoye, Ufa... Government commissions were created and they promised the public to investigate the accidents and tell the truth about the causes. But where is the information that was promised?

**And the more time that passes, the less hope there is of learning the truth. [Signed] L. Blagireva, Moscow]**

*Our correspondent V. Karpov asked senior officials of the Ministry of Railways and the USSR Procuracy to respond to this letter.*

[Kozlov] It was established that line foreman Gavrilov was to blame for the accident in Bologoye. The USSR Supreme Court, where the case has been brought, taking into account the grave consequences of the accident, will determine the specific degree of his guilt and his punishment.

As far as Arzamas is concerned, the guilt of railroad workers has not been established here. However, no one else is guilty at present, either, as far as I am aware. The situation here is complicated, an investigation is in progress, and it is not easy to draw conclusions right away.

The investigation of the Sverdlovsk accident has been completed and materials on the case have also been brought to the USSR Supreme Court.

The accident in Ufa was special in nature. Although the tragedy occurred on the railroad, involving the passengers on two trains, it was not the fault of the Ministry of Railways. As far as the reader's remark on the conclusions of the commissions investigating one tragedy or another, I agree with him to a certain extent. I personally have never had occasion to read about the results of their work in the press.

I can also inform TRUD readers that there have been 26 train wrecks on the railroads this year, including three involving passenger trains. In January, a freight train was derailed at the Kozhanka station on the Southwestern Railroad and collided with a passenger train passing at this time. A diesel switch engine flew into the "tail" of a passenger train at the Volgograd station on the Volga Railroad. This also happened in January. And the latest ChP [accident] took place several days ago involving a train bound from Kharkov to Adler. Because the track was missed (the rails were bent) seven cars went off the tracks. But there were no casualties in all these accidents. Four persons were hurt, including two passengers.

As a matter of principle, the number of accidents is not increasing, as people sometimes think. It is just that we are more aware of them now. And glasnost is only for our own good: it is forcing both the track maintenance man and the supervisor to regard his work more seriously. Before they wrecked a train without mentioning it and all right, it was as if there was no accident. It is not that way now. Here are the statistics on accidents on the railroads: there were 76 train wrecks in 1982, 96 in 1985, 77 in 1986, 79 in 1987, and 66 in 1988.

[Shkrebits] Investigation of the wreck involving the Moscow-Leningrad express train has been completed.

The USSR Supreme Court will begin hearing the case in mid-August. With regard to the line foreman, we chose preventive punishment not related to imprisonment; he will continue working.

They may say that "the switchman" is at fault again. No, this involves an engineer, a person with a higher education. His position may be compared with that of a shop chief. And he was the very person who, by not conducting current maintenance on the line, removed the speed restrictions that had been established on this section 2 hours before the express train passed. He had a personal interest in this, because bonuses are added for each restriction that is removed. But the profit turned into a terrible disaster...

The investigation continued for 10 months. We had to work through various versions, check them, and define them more accurately. For example, the Ministry of Railways presented its version. They said that there had been tectonic shifts on the Valday Hills that day which led to displacement of the rails. We enlisted the services of the most prominent specialists and geologists, who proved that this was not the case.

In Sverdlovsk, our eternal "maybe" came into action. A freight train broke up on a hill during the night shift. Dispatcher Khamova, knowing that the freight in the cars was categorized and required the most careful handling, acted with criminal negligence, violating regulations. For example, without making certain that the consist had taken a locomotive in tow, she gave the order to release the brakes. After they removed the shoes, the cars started rolling down the incline, and another consist was passing through the freight station below... After the collision the contact wire was broken, and there was an explosion from the sparks. Making excuses, the dispatcher said she had a heavy workload and was tired. All that is true, but service is service. After all, such mistakes cost us a great deal. Six persons died and 427 were injured. The physical damage amounted to 236 million rubles. We turned the case over to the USSR Supreme Court on 12 July.

The investigation of the tragedy in Ufa is under the supervision of our investigator, V. Lyseyko. He can provide more detail on this.

[Lyseyko] In the beginning, we enlisted 208 investigators from all over the country; 35 are left now. We chose those who had experience in appropriate work. We also invited scientists, construction workers, metallurgists... We had to do a great deal of routine work. We had to establish the identity of persons and identify the victims in a legal procedure. Both indemnities and pensions depend on this. We have to verify and reverify here. You sometimes run into persons that are downright crooks here. They also brought me statements such as this: my relative was killed during the explosion, they say. We checked, and it turned out that he died several years before the disaster.

Numerous expert examinations are continuing. The course and time of the investigation depends on their results. I can say that investigatory checks of the conductor adjacent to the railroad revealed mechanical damage, there are dents and scratches, and the insulation was broken. No, this does not involve sabotage, as I understand it. But we must find out when this damage occurred and under what circumstances, and who is to blame for it.

#### **Alma-Ata Rail Accident Investigation Detailed** *18290212 Moscow GUDOK in Russian 29 Jun 89 p 3*

[Article by G. Isakov, Alma-Ata: "The Pit—A Law of Transport: Movement Without Danger"]

[Text] *Even though the material losses inflicted by the explosion of a liquified propane tank car at Alma-Ata-2 Station were comparatively small, the human losses are irreplaceable.*

Why do such things happen on our railroads? What must be done to put an end to rampant mismanagement? These questions were posed at a meeting of the public and members of the government commission investigating the circumstances of the collision of two switching trains held at the Railroad Workers' Culture Hall. Taking part in it were KaSSR Council of Ministers Deputy Chairman K. Baykenov, Ministry of Railways [MPS] Deputy Ministers G. Fadeyev, G. Kozlov and L. Pingarev, representatives of the main administrations of MPS and railroad executives.

No one has been called a criminal yet, the extent of guilt of the individuals involved will be determined by a court. But those who stood closest of all to the resounding blow are already well known. They are switching dispatcher D. Zhiyegozhin, yardmasters A. Bayekeshev and Ye. Omarov and switching engineer Sh. Chimirov. The second engineer perished.

As always in such situations, dozens of problems whose significance was quite recently not recognized have come to light. The volume of freight operations in Alma-Ata is great. There are 67 kilometers of train tracks at the junction. Many of them were turned over to the railroad in a sorry state and require thorough overhaul. The neglect of the track facilities is aggravated by the even more acute shortage of the simplest materials. Housing and other facilities built without coordination with the railroad workers practically comes out onto the tracks.

To which must be added the "lame" discipline. Over the span of the five-year plan, up to three collisions and 14 derailments have occurred each year at Alma-Ata alone. Including at the curve on Track 11, where the ground is scorched and crystallized today.



"The pit" is what the yardmasters and engineers called this depressed section of the fourth switching area among themselves. Entries in the remarks book of the switching engineers depict the situation well: "Impossible to operate, all the spurs are in bad order. No visibility at all, in car feed there is no coordination with the dispatcher" (Kh. Malsagov). "Tree branches stick into the right-of-way and whip the yardmasters in the face, the residents throw rubbish and waste right onto the tracks, in places it is even piled over the railheads" (N. Dunayev). Other engineers have been talking about the same thing for a long time.

No serious steps were taken on these entries, shouting and howling for order. They even remained unanswered.

Radio communications are unreliable in the area of the disaster, and the switching dispatcher is forced to conduct negotiations through the locomotive portable radios with repetition of the commands by the diesel engineers, without guarantee of the error-free perception of the sense of them. The fact that the tank cars are in front of the diesel locomotives in feeding them to the gas-filling stations also called attention to itself for the first time.

A situation that was at the brink of catastrophe, not just accident, occurred in the very same place five years ago. Twelve tank cars went down a 14-percent gradient and tore into a cement warehouse located near the gas station.

This gas station, where an enormous quantity of domestic compressed gas is concentrated, is located in the heart of the city and is essentially a several-kiloton bomb. It is terrible to think of the possible consequences of that long-ago but now-recalled incident!

There is a recent letter addressed to the commission by the residents of one of the adjoining streets. They complain that they are living on a powder keg. There are always leaks of gas, fires occur, and children suffer chronic allergies.

Today everyone is coming to the opinion that this station must be removed immediately. The risk is too great. The railroad workers have been sounding the alarm at least since 1984. The feed rate of railcars is restricted due to the unsatisfactory state of the siding, and up to fifty tank cars accumulate waiting at Alma-Ata-2. Safety is not ensured.

They built a large new gas-filling station at the suburban station of Aksengir a year ago. But they have not eliminated the old one. The feed of cars to it was curtailed as of May 20, but then only by decision of the railroad workers and without the approval of local authorities.

Verification has shown that the orders of the minister promulgated after the accidents at Sverdlovsk and Arzamas have been far from completely fulfilled on the mainlines, changes in the technical-supervision reports of the stations have not been made and specialized tracks

for the handling of dangerous freight have not been established. The shipping of discharge freight and much more is not under steady monitoring.

This was no secret before, by the way. On May 16 GUDOK related the mistakes in organizing the shipment of hazardous freight in Kazakhstan. The phrase "Or is Arzamas for us?" was heard. This signal was "studied" by the workers of Alma-Ata-2 at their technical classes on May 18. And two days later...

The end wall of one of the tank cars was pierced by a coupler that hit it. A thick stream of propane gushed out like a fire-hose and ignited two-three minutes later. This torch intensively burned a second tank car and the pressure in it began to rise, while the safety valve was not triggered. There was a roar 17 minutes later, and a fireball, according to the testimony of an eyewitness, about two hundred meters in diameter rolled over the tracks at the residential housing.

A crowd of gawkers had gathered at the scene at the start of the fire. People ran to see just like it was a fascinating movie, there were many children. They suffered most of all when the wave of flames covered them. One resident drove here out of curiosity in his own Volga. The car remained intact, but the owner ended up in intensive care. There simply wasn't enough time to set up a cordon.

Much was done to aid the suffering. An aircraft from Moscow delivered scarce medicines and medical gear. Special beds were bought with foreign currency and brought in from Paris. There was immediate assistance in everything: housing, foodstuffs and other items of prime necessity. But the human pain... First Deputy Minister G. Fadeyev related with profound sympathy what he saw when he visited the hospital, visiting every victim. This can never be erased from memory.

All railroad workers have been taught a most bitter lesson once again. Is it only in Alma-Ata that they work like this? Take a look around, look that no one ends up in a new "pit."

\* \* \*

The accident at Alma-Ata-2 was the subject of a detailed investigation at a session of the MPS collegium. The discussion was exacting and impartial for the executives of the railroad. In analyzing the explanations given by its chief, the railway inspector and the chief of the Alma-Ata Division, the members of the collegium noted that the investigation has been conducted in wretched fashion. Even here, at a session of the collegium, executives of the highest rank were confused in their explanations and displayed fundamental incompetence in answering a series of questions.

After the tragedies in Sverdlovsk and Arzamas, the ministry developed documents which, it would seem, took into account all of the accumulated experience,

envisaged everything down to the last nuance and defined ways of solving many problems. And so then?

All of the correct decisions of the ministry remained on paper. Having reported that the railroads had fulfilled the measures proposed by MPS, everything was reduced to empty officialese at Alma-Ata. That there was no reaction to the hundreds of remarks by the engineers? Troublemakers. That no communications procedure was devised? Local conditions did not permit it. That a delayed-action bomb had been at the city center for many years? After all, they wrote and complained. The city authorities did not demonstrate any concern.

The impression was created that the railroad commanders were at MPS with a single aim: to concentrate attention on the positive aspects of operations and to protect themselves come what may.

Pain for those who perished and suffered, intolerance toward those through whose negligence the misfortune occurred and a passionate desire not to permit such things in the future were heard at full volume at the session. There was no one apathetic to what happened in Alma-Ata. Specialists of the highest qualifications had a diagnosis at once: no, it was no accident that the comrades called in were unprepared to answer all questions. Everything was even a mess in the documents, from the station technical-supervision report (TSR) to the communications procedures. Even more, a tragedy that entailed human life was a link in a chain of irresponsibility and sloppiness.

The discussion went on to the problem of personnel. The frequent replacement of executives at Alma-Ata is leading to the fact that people are unable to get with the flow at one place before they are immediately transferred a step higher. There are new commanders at many enterprises practically every year.

Several years ago Comrade Kobzhasarov was warned on this score and the unacceptability of an authoritarian work style was pointed out, but he did not change his habits. All questions on the railroad are resolved by him alone. And if someone comes forward with suggestions out of the ordinary, he will not be supported until the railroad chief expresses his positive attitude. All of this cannot help but constrain initiative, hinder the revealing of creative potential and ultimately reduce the efficiency of railroad operations.

The collegium decreed that Alma-Ata Railroad Chief Comrade Kobzhasarov deserves to be held strictly accountable, but taking into account that he has submitted a request to be relieved of his position in connection with his retirement, his request was granted. The chief of the shipping service and deputy chief of the railroad, Comrade Zhasakbayev, and the railway traffic-safety inspector, Comrade Troshkin, were warned of their incomplete conformity to official duties.

The responsibility of the chief engineer and first deputy chief of the Alma-Ata Division of the railroad, Comrade

Yesimbekov, who approved the Instructions for Procedures for Executing Switching at the Station with serious omissions, will be reviewed. A reprimand was announced for a sharp worsening of safety at shipping facilities for the chief engineer and first deputy chief of the Shipping Main Administration, Comrade Chernyugov, and the deputy minister and chief of the Shipping Main Administration, Comrade Sidenko, was strictly reprimanded.

#### **Aging Railcar Components Blamed for Accidents** *18290241a Moscow GUDOK in Russian 27 Jul 89 p 2*

[Report by GUDOK correspondent A. Durov: "The Financial Loss From Sloppiness"]

[Text] Chita—During the night on the line from Tu to Sivaki, the 11th tank car from the front in a combined train moving at 82 kilometers per hour flew off the track on a curve. Another two tank cars and 29 cars sped down the slope after it, uprooting the track and wrecking the supports for the catenary system, piling up everything before them. Beams, washing machines, metal structures, and other goods flew off and the fuel that had spilled caught fire. It burned so fiercely that only several foam attacks by the firefighting train managed to bring down the flame.

Four wrecking trains, military subunits, railroad and power workers, and workers from a neighboring timber enterprise, who provided the critically needed tractors, fought the fire for 6 hours and then pulled the cars apart and sorted out the piles of goods. Only after a day had passed were trains running on this section once again. If this had happened close to a settlement, it is hard to imagine the consequences.

An old crack in the journal box opening of the truck's side frame caused the wreck. It occupied 45 percent of the frame's cross section. The experts determined the "age" of the crack to be over a year. So the tank car was a "time bomb" all this time.

Railcar workers in Makhachkala had the responsibility for finding this crack when they conducted a major overhaul of the tank car in late August last year.

Following the procedure for repair and inspection was sufficient for this. But once again someone was too lazy to check, and this disastrous wreck was the result. They did not even apply a stamp to the ill-fated side frame in Makhachkala for the sake of appearance to show that an operational inspection had been conducted.

At a strategy meeting attended by representatives of the Makhachkala railcar workers, nothing else was left but to attribute all the financial losses from the wreck to the Makhachkala depot. According to a preliminary estimate, they amounted to more than 360,000 rubles.

And the wreck brought one more problem to light: the broken frame was manufactured 26 years ago with the emblem of quality. The plant had given a guarantee of

accident-free operation for 4 years. The guarantee was extended for another 18 months after each major overhaul. But no one put a time limit on operation with the truck frame. It turns out that a wreck serves as a natural rejection. Which is what took place on the Transbaykal Railroad. There is nothing like it in any other civilized country, where the time limits for railcar service are determined by experimenting. But we continue to race them "to death" around the country.

### **Railcar Modernization Program Threatened**

*18290241b Moscow GUDOK in Russian 27 Jul 89 p 2*

[Ministry of Railways Collegium report: "The Modernization Program Is Threatened With Disruption"]

[Text] The Ministry of Railways Collegium has reviewed the results of the work to shift freight cars to roller bearings. It was noted that this program is being threatened with disruption. The lag permitted in implementing the major technical measure is an obstacle to improvement of the railroads' operational work and to an increase in the reliability and speed of train movement.

Plants in the transport industry are not fulfilling the planned assignments to equip railcars with roller bearings. The Kanash, Darnitskiy, Ordzhonikidze, Baku, Kizyl-Arvat, and other plants have allowed the longest delay. Most of the plants are not fulfilling the plans this year, either.

A large number of defective wheel pairs have been accumulated on many lines and at many plants. A number of lines are not working in a timely manner to build and develop roller bearing departments in wheel shops, they are negligent in developing their repair facilities, and they are not providing for implementation of the targets that have been set for shifting the cars to roller bearings.

The Ministry of Railways Collegium has obliged supervisors of all ranks involved with railcar modernization to take all the steps necessary to correct the lag permitted in shifting the fleet of freight cars to roller bearings in order to complete this work in the 12th Five-Year Plan.

### **Collegium Studies Line Improvement, Working Conditions**

*18290248 Moscow GUDOK in Russian 13 Jul 89 p 2*

[Article by V. Gitkovich and N. Davydov: "The Problems Cannot Be Solved in a Short Period of Time"]

[Text] Concluding the session of the collegium, some of the leaders of the ministry said:

"We give the authors of the draft decision a week to complete work on it."

However, this long-awaited document did not appear in a week, but only 4 weeks later. We remind you of this so it becomes clear why we are talking in July about the

May collegium. During those days, everyone was expecting very much from the collegium.

Actually, as was determined by the agenda, this was to involve radically improving track maintenance, strengthening the material-technical base, and resolving social issues at track facilities, which are literally the basis of rail transport.

It is no secret to anyone that the situation in this most important part of the economy, to put it mildly, is unimportant. Just between February and May, GUDOK published more than 12 articles about this which not simply criticized the shortcomings, but also made suggestions on how to correct the situation. Many letters from the track workers were sent directly to the Ministry of Railways.

Running ahead, let us say: The addresses at the collegium were not of equal value. Unfortunately, we encountered both self-reports which simply recorded the state of affairs and speeches in which there were neither practical thoughts nor valuable suggestions behind the high-sounding phrase. In essence, science said nothing.

But, the thing is, there was something to say. This was once again proven by the director of the Lozovskiy Track Division, V. Zakapko. In his opinion, confirmed in many letters to GUDOK, the main troubles of the railroad men are explained by the duality of their subordination (to the track service and to the division), the use of an unrealistic labor productivity indicator, and the impossibility of using as they see fit even the profit from subsidiary activities.

But what are the scientists' opinions and recommendations on these issues?

Some speakers severely criticized the residual principle in financing line divisions and track machinery stations. This was talked about by G. Shavrin, chief of the Omsk Division, G. Kharlamov, chief of Track Machinery Station 197, and others. If you recall the materials published in GUDOK, this problem was present in almost every one of them. O. Skvortsov, senior scientific associate at the All-Union Railroad Transport Scientific Research Institute, entitled his article "Shortcomings of the Residual Principle."

Unfortunately, the voices demanding radical reforms were not heard. The managers of the railroads and of the ministry who spoke at the collegium persistently passed them over in silence, and these problems were not even mentioned in the adopted decision. That is to say, policy issues of managing track facilities have still not been subjected to a radical reassessment. The dual subordination of line divisions, the absurd labor productivity indicator of fitters in the form of gross ton-kilometers per kilometer, and the financing procedure, in which it is not to the advantage of entire collectives to be better, for even formally having a profit, they in essence end up as

dependents of the division and beg the chief of the railroad division for every instrument or machine, have remained unshakable.

What do the participants of the collegium see as the way out of this situation? If the strategy is not changed, perhaps they can count on some kind of serious tactical measures?

Now, the length of the country's network is 318,000 km, where there are 365,000 switches, many bridges, and other engineering structures. In short, track facilities account for more than half of the fixed assets of railroad transport.

How can track be maintained better and more economically with the constant shortage of rails, ties, fasteners, and other materials, the insufficient fleet of machinery and mechanisms, and the ever-decreasing number and increasing average age of workers of the division and track machinery stations? What must be done to improve the condition of the line and increase speed and safety of train traffic? And the main thing, how to improve the living and working conditions of track workers and thereby attract young people into their ranks?

It was necessary to find answers to all these and many other questions and to outline urgent measures, since, as was already stated, there is nowhere to retreat further. You see, between 1982 and 1988, the assessment of the line worsened by 60 percent, and the number of kilometers in an unsatisfactory condition and the number of warnings about reducing speed increased by 45 and 40 percent, respectively.

All this took place despite the fact that during this same period the percentage of heavy rails in the main lines increased by 22 percent, and almost half of this track now consists of thermally hardened rails. There are 12,000 km more rail track laid on reinforced concrete ties, and almost an equal amount of unspliced track. But the main thing is that annual expenditures for track maintenance have increased by 240 million rubles! That is, the costs have increased, but the track condition has worsened, and there have been quite a few wrecks and accidents because of this. Approximately 35-45 percent of all these sad incidents are on the conscience of the track workers.

What are the reasons for the poor track maintenance? Many of the speakers at the collegium explained this by the shortage of people and by the low level of mechanization of preventive maintenance.

"The condition of our line is unsatisfactory," complained A. Dovgyallo, chief of the Transbaykal Railroad. "There have been four accidents and one wreck at the fault of the track workers. One of the causes of this situation is that since 1985 their numbers have decreased by 300 men. And we understood that if more people left, it would be a disaster. We began introducing brigade contract on line divisions. And the intensity

improved very soon, the wages of fitters increased by approximately 100 rubles, and the people began returning.

"Now the authorized strength has been increased by 100 people. True, we still are not building enough housing for the track workers, but we will fulfill the plan this year.

"As far as capital repair is concerned, we are in a somewhat different situation than others. For example, we have 250 citizens of the People's Republic of China working. Another detail: Helicopters are widely used on the railroad for delivering the repair workers to the work site. With our distances, this is very convenient and economically advantageous. Unfortunately, we noticeably lag behind our neighbors, the East Siberian Railroad, in working out 'windows,' but we have already visited them for their experience and will diligently adopt it."

It was very nice to hear that the chief of the railroad understood the importance of the track workers in the overall work of the main line and turned to them in person. The above-mentioned neighboring railroad went even farther.

"Only after resolving the track matters," asserted G. Komarov, chief of the East Siberian Railroad, "will we resolve all the rest. We on the railroad today are working on the track workers. We are trying to get the money to switch the brigades to contract everywhere. Brigade contract is already in effect in 14 divisions and being introduced in 5... We allocate gasoline to the track workers according to need and divide the rest among the other services. We grant 'windows' firmly at designated times. I should note that the track workers rarely go past them.

"Let us also remember that we must constantly be concerned about personnel. At the Railroad Machinists School we train railroad masters and teach the necessary vocations at the institute and tekhnikum. We still do not have a sufficient base for repairing equipment. But now at Track Machinery Station 45, we have created railroad track maintenance shops where we will put the machinery in order.

"Our machine operators, as a rule, having completed capital repair of tracks (most often ahead of schedule), work in the divisions and help prepare the track for winter. Incidentally, we must think about how to increase the wages of the track machinery station workers, otherwise they will run off to the divisions."

Unfortunately, this was one of the few speeches that inspired optimism. The rest mostly stated their dissatisfaction with the existing situation and made various requests.

True, A. Kozhushko, chief of the Donetsk Railroad, complaining about the extreme pressure of work and the open lines, suggested creating track machines that could be operated from the field. This is not a new issue; of

course, such machines must be made. In the conditions of the Donetsk Railroad and certain other main lines, they could substantially facilitate the organization of a significant portion of track work.

But on the majority of open lines of other railroads, there are no accesses from the field, and, having no other choice, it is necessary to find time for "windows." And not from time to time, but according to a schedule drawn up in advance.

Comrade Kozhushko also complained about the shortage of money for switching to contract and about the fact that the ranks of the track workers are thinning out, but there are no replacements. But here he and the rest of the railroad chiefs should be referred to the experience of the East Siberian Railroad, which we already talked about. The trouble is that they often do not rush to adopt good experience that is someone else's, believing that their own is better, even if it is not too good. And the managers of many main lines continue to support the level of shipments not by strengthening the track facilities but by increasing the number of locomotives, cars, and locomotive brigades.

The Volga, Southeastern, Baltic, Moscow, and certain other railroads allocate far less funds, even in the plans, for the needs of track facilities than is required. As a result, only 58.7 percent of what is required is allocated for maintaining a contingent of fitters for the network as a whole.

But even if the authorized strength of track workers were to be fully manned, this would not solve all the problems. You see, the amount of traffic is growing, and it is becoming more difficult to set aside "windows." This means that more and more must be done in less and less time. There is only one way here—mechanization. Today, mechanization accounts for only 14 percent of routine maintenance and 52 percent of repair. The percentage of individual machinery that can operate independently is somewhat higher, but the trouble is that the technological "windows" have not become a steadfast rule; more often than not they are merely an exception.

In all of last year, in shops where routine maintenance is performed by the mechanized method, 10,000 technological "windows" were not granted. And the ones that were allocated were not long. On the Southwestern Railroad, for example, they were less than 1 hour. They would hardly have time to get working and it was time to release it. Only at the Kuybyshev, Belorussian, South Urals, Donetsk, West Siberian, and Tselina railroads do they give time intervals of 2.5-3 hours.

The decision of the collegium states, and not for the first time: "Introduce a precise procedure for granting technological 'windows' for machinery operating on routine track maintenance of a length provided for by the train traffic schedule." I would like to believe in the reality of this statement. But how to reconcile it with actuality? It is like this: Every year during the summer, when the

track workers have the most intense hard work, the managers of the ministry very often cancel all "windows" for 1 or 2 weeks, and sometimes longer. That is precisely how they acted literally at the time they were editing the decision of the collegium.

We also cannot be silent about another important problem which never was discussed at the collegium, although almost all managers of the ministry and railroads and representatives of transport science were present. We have in mind the problem of obstructing and salting the track, which causes tremendous damage to track facilities and to all railroad transport. Let us recall just one excerpt from the article "Millions Under the Wheels," published not long before the collegium under the rubric "Problems of Track Spans":

"It turns out that it takes all the country's miners 2 days to mine the coal that railroad workers spill out along the tracks from cars with holes. And those who mine mineral fertilizers spend 5 days on this. Many of the measures aimed at putting an end to such losses still remain just on paper."

It is too bad that, in trying to find millions to increase wages and improve the social living conditions of the track workers, the ministry prefers not to make note of its own inefficiency. There is virtually no struggle against these losses, and to make up for it the track workers have to create more and more new machines to clean contaminants from the track.

So, what kind of a decision did the collegium adopt? Without going into detail, we will say that it obliged the managers of main administrations and chiefs of railroads and divisions to accelerate introduction of the mechanized method of routine track maintenance; organize in the next 2 years railroad track maintenance shops on the Sverdlovsk, Krasnoyarsk, East Siberian, Baykal-Amur, Dnieper, and Azerbaijan railroads; accelerate the pace of equipping switches with electric heating; equip divisions of sheltered forest stands with modern, highly efficient equipment; take steps to improve the roadbed, improve track maintenance, and increase traffic safety; develop a program of viaduct construction for the years 1991-2000 at places where railroads and highways intersect; step up scientific research in the area of track facilities economy; and take additional steps to improve the housing and social-living conditions of workers of track divisions and track machinery stations. Considerable appropriations have been provided for all this.

We would very much like to see this decision explicitly implemented, unlike the previous ones which, incidentally, also were quite good. For this to happen, it is above all necessary that each in his own place—in line sections and divisions, in railroad divisions and services, in the main administrations of the ministry—conscientiously do what is outlined, and not formally, but with feeling, and experience to the end a simple truth—the track is the basis of transport.

Without detracting from the importance of the conversation and the adopted decision, but knowing very well from letters from readers what the track workers are expecting from the collegium, we are forced to admit that there no radical reassessment of the strategy of track facilities management took place. Above all, its management structure remained a ladder-type structure. Attempts were not even made to examine such important questions as participation of maintenance workers in medium and grade repair; introduction of traffic control on track divisions; ending the experiment with increasing the axial loads of cars; the frequent diversion of track fitters to construction and agricultural work...

However, it is naive to expect that the problems that have accumulated over the decades can be resolved in a short period of time, even at a well-prepared collegium.

### **Kansk-Achinsk Area Railroad Development Examined**

18290214 Moscow GUDOK in Russian  
29 Jun 89 p 3, 30 Jun 89 p 2

[Article by GUDOK correspondent Yu. Vakhryn, Krasnoyarsk, under the rubric "Restructuring: The Economy and the Person": "KATEK: Mainlines and Dead Ends"]

[29 Jun 89, p 3]

[Text]

#### **1. Differences in Context**

*An unusual event has occurred according to prior standards: the collective of the loading and transport administration that serves the Borodinskiy coal strip mine did not conclude a contract with the enterprise administrators. The differences occurred on the principal clause—the volumetric indicator for the annual shipment of coal. First there were debates, then persuasion and administrative pressure. And when the workers understood that their remarks were being ignored, they left the conference.*

*Another attempt was later made at agreement. They invited the general director of the Krasnoyarskugol [Krasnoyarsk Coal] Association, V. Guskov, and the deputy chief of the Krasnoyarsk Railroad, V. Tatarintsev, to the second conference. But they gave no guarantees that the collective would be provided with the empty cars for the planned volume of coal shipments. The railroad workers are guaranteeing to supply rolling stock only for 25 million tons of coal. And what will they do with the other four million that will be produced in the mine?*

*So the contract was not signed...*

*In April a delegation of transport workers from the mine visited the Krasnoyarsk Administration, timing their visit with the arrival of Deputy Minister of Railways F. Fadeyev...*

At the beginning of the eighties, when the strip mines of the KATEK [Kansk-Achinsk Fuel and Power Complex]

were just being developed, right here in the office of the chief of the Krasnoyarsk Railroad, whose boss at the time was Gennadiy Matveyevich Fadeyev, there were no few heated debates between the railroad and the coal workers. The railroad workers were angered by the non-partner-like, to put it mildly, behavior of the coal executives in rolling over with the short blanket of the limits and funds for the construction of KATEK facilities, which laid bare the development programs for the Krasnoyarsk mainlines. The position of the coal workers was stronger. And this is understandable—they had plans, as well as the contract funds for the whole complex. The railroad workers were just "shareholders."

So as matters advanced for the coal-loading stations and not at all in strengthening the mainline routes along which the coal had to be shipped, not only the commanders, but rank-and-file railroad workers as well were seriously disturbed. G. Fadeyev tried to demonstrate the obvious at the kray party committee and at the country's Council of Ministers and wrote articles in the central newspapers.

The workers of Zaozernaya Station and the engineers of the Achinsk and Uzhur depots made appeals wherever they could. It was becoming unbearable to work anymore: the flow of coal increased, but there was no possibility of handling or shipping it. Here's just one instance: the Borodinskiy mine reached the projected production capacity of 25 million tons a year ahead of schedule, in 1984, but the railroad workers accepted the Buynaya Station, which was created to serve it, with a mass of incomplete work only at the beginning of 1987.

It was namely during these days that the mine collective proudly reported that "based on the modernization and technical retooling of capacity," they had "raised the production ceiling to 27.3 million tons, and in the second year of the 12th Five-Year Plan will issue 29.2 million for the national economy"—more than half of all the fuel shipped by the Krasnoyarskugol Association overall.

Roughly the same thing happened in the western wing of KATEK, where another Hercules—the Berezovskiy-1 mine—was growing not by the day, but by the hour, and where the customer, the Dubinino Station, grew cold from neglect.

The railroad workers threw themselves into the maelstrom of various levels of authority with calculations and enlisting the substantiations of scholars. And they were brushed aside like importunate flies.

#### **A View from 1976**

Leafing through the materials of the practical-science conference that was held in Krasnoyarsk in 1976 and that worked out the concepts for developing the Kansk-Achinsk Fuel and Power Complex, I discovered that by 1990 the principal portion of the coal produced will be converted into electricity on the scene, which will in turn "run" great distances along powerful direct-current

LEPs [electrical transmission lines]. The coal will be transported to the thermal electric power plants [TETs] by multi-kilometer coal transporter trains, as well as large-diameter slurry pipelines and pipeline transport of an encapsulated or container sort. The railroad transport will deliver insignificant quantities of "raw" coal to small local TETs and GRESs [state regional electric power plants].

The plans envisaged the construction of a two-track electrified line linking the mines to the Transsiberian and the development of all stations on it from Mariinsk to Tayshet with the construction of new depots. As well as access of the Central Siberian to the western part of KATEK from Latysh Station to Ingol Station.

Much more is forecast there. All of this was not the idle dreaming of men of science. The proposals of the scholars and practical workers in the section for developing the railroad facilities of KATEK were made law ten years ago by government resolution.

Insofar as we recall from time to time D. Mendeleyev and his words that stoking a stove with oil is the same as stoking it with paper money, an opportunity of saving oil in the name of Great Chemistry was seen in the KATEK coal. The scholars, however, looking into their retorts and test-tubes more attentively, proved that lignite was not a good-for-nothing creation of nature suitable only for furnaces, but was also a valuable raw material for Great Chemistry. That is, also paper money.

They had to reconsider the power-engineering portion of the initial plans. The gigantic GRESs moreover alarmed the ecologists and aroused the public. And the power engineers, to put it bluntly, had not taken to the new giants: the first Berezovskaya GRES, which should have reached full capacity, had only one power unit started up so far.

In short, plans are plans, but life will take its course.

The mines were developed, but not the GRESs. But coal marketing quickly provided "deliveries registration," the more so as they did not have to seek out customers in particular. The exact opposite situation took shape in Gusinozersk (in Transbaykal) and Angren (Central Asia): GRESs were built, but the local coal had not yet begun to supply them. And the railroad workers let go the plan.

And later—more. The difficult hydrological situation in the Siberian rivers revealed the unreliability of hydro-electric power plants as the principal source of electric power supply for the region. Additional fuel was required to raise the capacity of thermal power plants. And KATEK coal, by the way, went not only to the nearby plants, but also to Irkutsk, Transbaykal and even Khabarovsk.

Since that time the geography of fuel deliveries from Krasnoyarsk Kray has only expanded. They have, say, started to ship lignite to the thermal electric power plants

of the "Siberian stoke-hole" for the sake of preserving the coals of the Kuzbass for the manufacture of metallurgical coke.

That is how events have developed in broad strokes, breaking plans and putting a new pile of questions and problems before the railroad workers.

#### "Come to Agreement on What's Not Agreed On!"

About five years ago I had occasion to be present while they loaded a long-haul car with KATEK lignite—they were dispatching the regular "serving" for an NII [scientific-research institute] near Moscow where the scholars research this material. They picked a new gondola car with wooden sides, and after loading they covered it with several layers of polyethylene film and neatly fastened laths, nailing them to the boards. This caution is essential for such a long haul. Coal that contains a lot of moisture loses it rapidly. Even fairly large clumps and clods turn into dust—as small as powder—and the flow of air blows it away.

As we see, it was not for nothing that they envisaged the short-haul transport of coal by railroad in the plans, they knew its properties. The comparative shortness of the coal routings predetermined the corresponding technology—the use of "shuttles." They did not have them in mind in planning the coal-gathering stations and railcar preparation stations. This version was executed on the spot.

In creating the Borodinskiy mine to supply the Partizanskaya GRES and three Krasnoyarsk TETs with coal as well as to meet the needs of small consumers within the kray (within the limits of some two hundred kilometers), there was no particular concern for the development of facilities for outside railroad transport. They built the small-capacity Buynaya Station with short tracks (850 meters), and at it a just-as-small railcar preparation station.

When the flow of beat-up and dirty gondola cars began pouring in here (instead of the carefully selected "shuttles") according to the "now jammed, now empty" principle, it was the mine that was suffered first and foremost. Even when there was an empty car on the railroad, it stood at the station awaiting acceptance, already overrun with uncleaned and flawed cars. The cutters at the faces also sat idle.

If anyone was satisfied in this situation, it was the timber workers, especially the so-called "self-providers" who have never suffered from over-attention. They took the rolling stock that was rejected by the mine and the railroad with glee.

But we will not be naive. The situation was not all that unexpected for either the miners or the railroad workers. It did not take shape overnight. It was foreseen even before the completion of construction on Buynaya. The railroad workers insisted that the client—the USSR Minugleprom [Ministry of the Coal Industry]—make

corrections in the plans and increase the handling capacity of the station and the PPVs [railcar preparation stations]. In vain.

Hope dawned when it became known that the 40-million-ton Borodinskiy-2 mine would be built along with the 25-million-ton Borodinskiy. The additional transport development of the Krasnoyarsk mainline and, in particular, the construction of railroad access from the Borodinskiy Coalfield to the Abakan—Tayshet line were linked with it. Plus new stations and capacity for the repair and cleaning of railcars.

But then the plans were changed once again—they decided to increase the capacity of the existing mine and not build a new one. Today the coal workers are bringing Borodinskiy to a new planned level, and soon they will be producing 38 million tons of coal here. Quite a spurt.

And what about the railroad workers? Now they themselves have to order the plans and seek the funds and contractors so as to at least develop the Buynaya Station. And if the Vostsibgiproskhkh [East Siberian State Institute for the Planning of Mines] Institute in Irkutsk hurries with the preparation of the working documentation, the operations could begin here as early as next year.

There are some hot days ahead for the station collective: they will have to handle... 31 million tons of coal. It is namely that volume that the open-pit miners are trying to fix in the joint contracts with the railroad workers for the next year.

But that is only part of the problem. To prepare an empty, load it and form up the trains for a long haul is just the beginning of the work for the railroad workers. They must see that the river where this flow of coal goes can receive it within its banks. The Transsiberian mainline is unfortunately reminding us more and more in recent years that there are limits to its traffic capacity. It accepts each new million tons of freight with difficulty.

The complete modernization of the Borodinskiy will increase coal shipments by 13 million tons. Some 13 trains with the fuel plus just as many empty trains, in other words, will be added to the daily turnaround immediately. That's something to think about!

Here is a curious quotation from the minutes of the interagency technical meeting on organizing coal shipments for the MPS outside network [Ministry of Railways] from 13 Jan 88 (approved by deputy ministers N. Isingarin from USSR MPS and V. Vilchitskiy from USSR Minugleprom): "USSR MPS, by letter No. G-10437 of 8 May 87, taking into account that Glavsib [Siberian Main Administration] is currently operating under extremely strained circumstances within the confines of the region of the rail network under consideration and has no reserves of traffic capacity, has not consented to the shipment of an additional volume of coal from the Borodinskiy mine in the amount of 13 million tons a year through Buynaya Station and has

recommended its shipment through Yuzhsib [South Siberia]... Resolved: to coordinate the shipment of an additional 13 million tons of coal a year from the technical retooling of the Borodinskiy mine through Buynaya Station."

What more commentary is needed here?

But there are optimists among the railroad workers (didn't they prepare the draft of the quoted resolution?) as well as miners who recall that "After all, we have passed as many as 110 trains a day!" We tremble from the recollection.

You wouldn't wish on your worst enemy the "Great Standstill" that marked the end of the 1970s and beginning of the 1980s. And the "record" was set right when the trains were not so much moving as waiting for—not even a green signal—a yellow signal. When passengers were a day or two late, when the trips of the engineers lasted beyond all human endurance, when the railroad workers were simply afraid to appear before people on the platform. Can they really be preparing the mainline for the same kind of "records" with all of their charms at the stroke of a pen—"Come to agreement on what's not agreed on!"?

Reality is such on the Transsiberian and within the confines of Krasnoyarsk. In order to open up any additional traffic capacity at all, it is essential to modernize almost forty stations from Mariinsk to Tayshet (lengthening the track to 1,050 meters). The railroad can renovate 12 using its own manpower. Another seven—not the largest—have been taken on by Krasnoyarsktransstroy [Krasnoyarsk Transport Construction Trust]. The modernization of the rest, including all of the significant-sized junctions where the principal volume of the work will have to be done, still hangs in the air...

[30 Jun 89, p 2]

[Text]

## 2. Hostages of the Plan

The railroad workers are racking their brains over how to get the coal from the Borodinskiy field to the Transsiberian.

We will take a look at a document (composed a year and a half ago but precisely reflecting the situation today): "According to the initial plan for the first phase of the Berezovskiy-1 mine with a capacity of 27.5 million tons of coal a year, the consumption of 20 million tons at the Berezovskiy GRES-1 and the shipment of 7.5 million tons to the outside MPS network was envisaged... In view of the lag in the construction of the GRES... the plan for the first phase of the mine was reviewed, envisaging the shipment of 18.8 million tons of coal to the outside network as a reference point in 1992-93."

The government decree "The Creation of the KATEK" of 16 Mar 79 envisaged the construction of the 215-kilometer Ingol—Latysh railroad line in 1981-86 for the



shipment of coal in a westerly direction. The deadline for the construction of this line, however, has not yet been determined.

"The shipment of coal to the outside network should thus be carried out along the existing stretches of railroad, whose traffic capacity cannot provide for the shipment of those volumes. In 1990, with a planned supply of 19.3 million tons, the shipment of 13 million tons to the outside network is required (according to the more precise claims of Krasnoyarskugleprom [Krasnoyarsk Coal Industry], 14.5 million tons will have to be shipped.—Yu.V.). The available traffic capacity of the railroad can support the shipment of no more than 8.5 million tons of coal... It is considered essential to appeal to the USSR Council of Ministers with a proposal to accelerate operations to increase traffic capacity..."

"Appeal"—and that's it?

Of course not. And it is now asserted in another document a year later that MPS has included the development of technical and economic substantiation for the Ingol—Meret railroad line (a new version of access of the Sredsib to the western wing of the KATEK instead of the earlier-planned Ingol—Latysh line.—Yu.V.) in the 1989 plan. The Krasnoyarsk Railroad is developing plans for the construction of a second track on the Dubinino—Krasnaya Sopka stretch, the electrification of the Dubinino—Krasnaya Sopka—Achinsk stretch and access from the Krasnaya Sopka—Achinsk line to the Transsiberian without a stop at the Achinsk-1 station.

This is the minimum necessary to ship coal beyond the current maximum throughput capacity of 8.5 million tons. This program will in the best case begin to be implemented only in 1991 with the construction of a 64-kilometer stretch from the coal-gathering station at Dubinino to the junction station at Krasnaya Sopka, which is on the Abakan—Achinsk line.

But almost ten million tons has come and is coming out of the Berezhovskiy-1 mine in the past and today on the railroad. Already! Next year this "achievement" should be surpassed by almost one and a half times according to Minugleprom plans.

Having constructed an automatic block signaling system from Dubinino to Krasnaya Sopka using in-house resources and developing—using their own manpower!—diesel depots in Achinsk and Uzhur, scrambling with the formation of heavy and double coal routings but without a rest home for locomotive crews, without an enlarged railcar repair station, semi-humps and other essentials, the railroad workers have put the theoreticians and their calculations to shame.

Yes, it is impossible to work at the station any longer with the uncompleted construction work that still remains—inoperative pneumatic switches three years after the turnover, for example. What is still on the

drafting tables of the designers is essential in Dubinino: that same capacity for the repair and cleaning of empties coming in for loading.

The Krasnoyarsk railroad workers, taking onto themselves the functions of client in the development, and essentially the modernization, of the recently constructed station and even allocating a substantial share of their own production development fund for that purpose, are of course proceeding from reality. Now they have also taken on financing the planning studies for the second track, having tired of the long wait.

And situations like the one that arose in March of this year at the Berezhovskiy-1 mine—when over the first ten days of the month the coal workers were unable to ship almost a hundred thousand tons of fuel—will be repeated nonetheless.

### Coal Arrhythmia

The current problems of Ekibastuz, which were also discussed in GUDOK (4 May 89), are in general not new ones. They are also familiar to KATEK. You don't have to go down to the face or go to the station where they load the coal to understand them...

Look in at the office of the chairman of any rural rayon ispolkom. Incited "from above," he calls the heads of kindergartens and demands: now, as early as June, bring in some coal, stock up. That is how he fights for a regularity of supplies. He starts fighting for heat in the kindergartens later, in the winter, when over the summer the coal, which has lost its moisture, turns into a grayish-brown mass.

Looking simultaneously like sand and like cement, a dense powder not permitting air to pass that now slips through the fire-bars of the furnaces, now forms—dampened with water—a solid mass on them that you don't want to burn, no matter what. And the boilermen and the cooks cry and run to the same heads of the kindergartens. What remains to be done? Seeking new limits, they scrape at the meager bins of the ispolkom budget and once again get vehicles ready for the fuel warehouses.

They don't want to stock up on coal at the kolkhozes a year ahead of time, the directors of schools and small enterprises, all the owners of small boilers, they don't rush to order it: it doesn't burn!

They try to keep minimal stores of coal in the warehouses of the major TETs and GRESs as well by all means fair or foul: it burns! And there is no paradox here. Kept in a pile, lignite catches fire easily. Powerful equipment is ceaselessly rolling it out to avoid that.

How many times have we become convinced that our every victory over nature turns into our defeat. We are fighting the natural qualities of lignite instead of simply taking into account its properties when working with it

and developing the corresponding technology for production, transport and combustion.

But it does not happen and, I will be so bold as to declare, it will not happen. The dimensions of the production and transport of lignite will be dictated as before not by plans handed down from above, but the objective situation that takes shape in this or that year as well as over the course of the year. Recall in connection with what has already been said about the process of improving our economy, where the interests of the consumer are moving to the forefront, while the departmental ambitions of the producer and supplier are more and more often rebuffed.

What does it mean to work in the rhythm dictated by the customer or consumer? We will not investigate the concerns of the coal workers. We will take up only the transport portion of the problem. Roughly speaking, the answer to this question for the workers of KATEK is equivalent to solving the task of how to get the actually produced 30 million tons of coal out of Borodinskiy not over 12 months, but over nine or even seven.

The corresponding throughput and traffic capacity is needed, and reserves of them as well on certain routes.

The operating practices of the KATEK transport system have already been proven, strictly speaking. The year 1986 was extremely instructive: a warm winter and an early spring that overflowed the reservoir of the Krasnoyarsk GES [hydroelectric power plant] not only turned on all of its units, but also made it necessary to "let off steam" in an excess of water from the man-made sea. Had they not been needed for heating supply for the city, the furnaces of the TETs could have been turned off—an ocean of electricity in the literal sense of a water-filled river was the unexpected gift of nature. This is on the one hand.

On the other—the summer brought with it great distress: "The thermal electric power plants of USSR Minenergo [Ministry of Power and Electrification] have sharply curtailed their receipts of coal, and the railroad has disrupted the plan for the issue of railcars day after day." No, this is not a peasant sitting on the mound of earth around his hut, this is one of the executives of the coal sector of the kray speaking in a Krasnoyarsk newspaper. And all the plans would have collapsed, but the long-awaited cold December came. "The work surge of the Borodinskiy people was irrepressible," the article further states. "The intensive and smooth work made a reality that which was earlier considered impossible. Up to thirty two fully loaded trains of coal a day left on the tracks of the mine—that has never happened before in the history of the enterprise."

But wait a minute, 32 trains a day—that corresponds to thirty two million tons of annual fuel shipments from the mine! That which the coal workers are seeking from the railroad workers in their claims for next year! That means...

It doesn't mean anything. "Coal is a priority freight." To whom in our life, modest by all standards, is it not clear by now that were there no shortage, no privileges would be needed. Priority freights appeared in our transport out of scarcity: first of railcars and now of traffic capacity. Having overfulfilled the 1988 plan for coal shipments from the Borodinskiy mine by two-plus million tons, how many planned freight shippers were deprived by the miners and railroad workers? How many enterprises did not realize their obligations to their customers?

The deputy chief of the Industrial Transport Main Administration of USSR Minugleprom, V. Ovsepyan, was surprised: "The railroads are not shipping tens of millions of tons of planned freight and at the same time are receiving... tens of millions of rubles in profits beyond the plan. But there are no miracles in economics!"

What is true is true: people are creating miracles here. A normal economy could not do this...

#### Both in the Same Boat

The end and the beginning of each new year are a period of revival of business correspondence between officials of the Krasnoyarskugol Association and the Krasnoyarsk Railroad. One declares its plans for the next year, the other does not accept them, remembering: aha, they didn't build this, they didn't turn over that... Assurances and guarantees are issued, the representatives of one party and the other go to Moscow for interdepartmental meetings of MPS and Minugleprom, where a statement is devised over many signatures and seals. About which, by the way, judging from one and the same clauses migrating from year to year, from paper to paper, they soon forget.

Today the correspondence between the chief of the Krasnoyarsk Railroad, V. Babenko, and the general director of Krasnoyarskugol, V. Guskov, has been dragged out a little. There are April and May dates on the official papers. The conflict between the administration and the collective of the Borodinskiy Transport Administration, the strain in the other mines, the increased economic responsibility of the enterprises for the ultimate results of operations—all of this impels them to coordinate their plans for the future without dragging on to the end of the year. The more so as to hope for administrative pressure on the partner, as happened more than once in the past, cannot be done now.

And the point is not whose position will prove stronger today anyway. The miners and the railroad workers have proven to be in the same boat, overloaded with old problems—it will take on water if it lists at all. And then watch the old tub head for the bottom.

And the point is not, after all, what number the one or the other writes into the plan, but rather what is actually realistic for fulfillment. The railroad workers added on three million tons to last year's shipping volumes and are

holding doggedly to that line. The coal workers have received a plan according to which they should take a ten-million-ton step forward. A dispute is swirling around the seven million tons difference in the plans for next year. And whether the customer will take this fuel or reject it once again does not come up. The main thing is to produce it!

The situation is obvious: the limit has been reached in the disputes in Krasnoyarsk, the problem has gone beyond the ranks of local ones. The time has come to reconsider the development strategy of KATEK and, in particular, to fulfill last year's charge of the USSR Council of Ministers for the fuel and power complex: USSR Gosplan, in conjunction with Minugleprom, MPS and Mintransstroy [Ministry of Transport Construction], must reconsider issues in the development of railroad transport in the Kansk-Achinsk coal basin and stipulate the necessary measures in the draft plans for 1989-90.

### **Locomotive Plant Problems Detailed**

18290217 Moscow GUDOK in Russian  
1 Jul 89 p 2, 2 July 89 p 2, 4 Jul 89 p 2

[Article by GUDOK correspondent V. Kurkov, Novocherkassk: "Who Will Get the Plant Started?"]

[1 Jul 89, p 2]

[Text] *The flagship of domestic electric locomotive building—the Novocherkassk plant—has been providing electric locomotives for the country for fifty three years. What anniversary booklets its managers bestowed upon their guests three years ago—shining and powerful locomotives against a background of local sites! But even then the grounds of the giant plant were gaping with ditches and overrun with parts, assemblies and boxes of equipment. The modernization for the anniversary took almost two five-year plans. And what was done then is almost invisible now.*

*The years of stagnation were a time of beginnings and show for the NEVZ [Novocherkassk Electric Locomotive Plant], on an oblast scale at a minimum. A program under the name of Elektrovoz was announced under the aegis of the party obkom, according to which a unique local consortium was created. The RIIZhT [Rostov Institute of Rail Transport Engineers] and other Rostov and Novocherkassk higher educational institutions, along with the plant's VEINII [All-Union Electric Locomotive Scientific Research Institute], were to set the tone in the creation of electric locomotives. The plant itself was to build the new vehicles. The railroad workers of the North Caucasus Railroad would check them out in practice. And, finally, the Rostov Electric Locomotive Repair Plant would evaluate the reliability and longevity of the assemblies, parts and machinery overall, closing the cycle, as it were.*

*An excellent idea; however, it remained unrealized. Everyone made his own hay. And the NEVZ reached the*

*point where the state plan ceased to be realistic. According to the targets for last year, the plant was to supply the railroad with 258 VL80S electric locomotives. The plant workers notified MPS [Ministry of Railways] in good time that they would not be able to manage more than two hundred. They settled on that figure, but just 184 electric locomotives actually issued from the plant. The same with the new series VL85. They were to build 72, agreed on fifty and made 41.*

*What's going on at NEVZ? What electric locomotives is the system getting and why namely those?*

### **1. The Bubble of Show Has Burst**

The manager changed at NEVZ soon after the half-century anniversary. The prior one "departed" for health reasons. Candidly speaking, you must have enviable health at such a gigantic plant, the more so a neglected one literally torn apart by modernization. To carp in hindsight is not the best of methods. And Vasilii Ilich Duvarov worked in upright fashion, he tried.

His successor—Eduard Petrovich Putilov—is a newcomer. With operational experience in Siberia, with a Moscow main-administration outlook and a concrete program: to get the industry leader out of the dead end. There was good sense in the program, which has not progressed beyond declarations. Furthermore Putilov, working at the main administration of his department, was an advocate of this idea and practically headed the distinctive Siberian opposition to the Rostov version of Elektrovoz.

When it became clear that the multitude of partners of NEVZ were continuing to take the covers for themselves, someone began expressing the thought: why shouldn't the electric-locomotive builders follow the example of their colleagues making other machinery and not scattered across the country? Tbilisi doesn't count here, another order of magnitude, the discussion concerns new production with its science. And they proposed creating such a center in Novosibirsk. Here there is academic science with world prestige, not to be compared with the North Caucasus. The conditions for checking out the new electric locomotives in Siberia are harsher, which is also better. And just the right kind of plant even exists—an electric-locomotive repair plant. It's a small matter to make Novosibirsk the second NEVZ. And there are the complexities of modernization for Novocherkassk, since the enterprise has gotten old, the same with the personnel, leave it an auxiliary role, electric locomotives are needed for industry and for mining enterprises, comparatively less powerful, and some to a lesser extent for foreign customers.

The prospect of a secondary role hit at the pride of the Rostov people. One answer to the idea was increased attention toward NEVZ by authorities at the oblast level, an acceleration of the pace of modernization, the replacement of the general director, expansion of international collaboration, a more significant social slant

and a reconstruction of the management of plant life on democratic principles. Matters moved from a dead standstill.

MPS did not play the best role in the situation that took shape at NEVZ. "The railroad workers themselves do not know what they want"—that's how they talk about their client here. They have in fact been arguing for a long time about whether the alternating-current electric locomotive needs an electric brake. Its complicates the design, they say, the vehicle gets more expensive, while the impact is doubtful. Then there were debates over what sort of brake—rheostatic or regenerative. They are still going on. And everybody is arguing about the traction engines—commutator, induction, thyatron.

And it is moreover just the technical and technological features and advantages that come to the surface, while they consider the money in narrower circles—what is better is more expensive. The disputes on the design of the electric locomotive itself are not over—there are also different versions: eight-axle with four-axle cabless inserts where needed, or a twelve-axle locomotive right away?

The cabless modules, it turns out, are not very economical. They are talking about a three-section 3VL80S. But that solution would contradict many operational rules. How would the trainman move among the three sections? And sometimes it happens that he has to. And rash engineers take risks. There was a wild incident on the North Caucasus when the engineer sent the trainman to the last section, forcing him to leap at low speed from the operator's cab and jump to the third section. The trainman slipped off and fell under the wheels, becoming an invalid. And the engineer was his father...

And the Kamensk crash? Three VL80S sections. And the question of the utilization of a rheostatic brake was hanging in the air, after all!

Or the demand of MPS to increase speeds. To what limits? An axle-bearing suspension for the traction engines is permissible up to 120 km/hr, but a frame-bearing one is needed at faster speeds—and there is a desire to have a vehicle with a speed of 140 km/hr. This makes the vehicle significantly more complex and expensive.

Finally, there is talk that they must have their own electric locomotive for passenger transport. NEVZ recently received from MPS the technical assignment: what should an electric passenger locomotive be like? How the plant people fretted: MPS wants to have an electric locomotive, and what kind—they spent two year deciding.

The weighty opinion of VNIIZhT [All-Union Scientific Research Institute of Railroad Transportation] is also not felt at NEVZ. Putilov is genuinely puzzled: it is the leading NII [scientific-research institute] in the industry, but Novocherkassk developments go no higher than the

inspector. It would seem that MPS, with its own science, could put clear-cut and concrete tasks before the plant.

The plant workers are more accountable to VEINII. But that institute has a mass of problems. The production facilities are scattered across the whole plant, and it is crowded anyway. It is embarrassing to compare the staffing with domestic diesel electric locomotive building, never mind foreign firms. There is no housing. The average age of the designers is somewhere between 55 and 60. Routine work takes a mass of time. The sole computer is two-three generations old. The institute needs, at a minimum (!), fifty personal computers. They have none at all.

What world level of domestic electric-locomotive building can we talk about with such wretched scientific support? And when I alluded to the work of the plant with export products to the general director, which is even expanding from year to year, he answered unequivocally that "All those same infamous heroic efforts and spurts using our last bits of strength are the enthusiasm of the older personnel."

And how was the staffing "put right" at the institute? There were 16 chief designers here, now one remains.

The general director of NEVZ is not a pessimist, otherwise, knowing the plant, he would not have consented to head it. But the situation is still such that the rare victories are drowned in waves of problems.

The gigantic shops of the plant have been called self-contained production shops. They have linked the technology through economic accountability [*khozraschet*]. Many team and shop managers were elected by the workers. They are actively seeking construction workers who will ultimately be engaged in earnest in the modernization of the enterprise.

Economic accountability among types of production and accounting for materials and constituent parts and the correspondence of end products to them, that is, rudimentary order, have generated an economy of 15 million rubles. Putilov has said that they were literally finding money underfoot.

The bubble of show and leadership ambitions has burst. There is a turn toward a businesslike nature underway. A psychological restructuring.

[2 Jul 89, p 2]

[Text]

## 2. Starting with the Little Things

There is a device in business discussions—to confuse the respectable interlocutor with "trifles." Why is that necessary? So as not to wander and speak of the essence rather than about the results "for" and the tasks "to."

I spoke with VEINII Deputy Chief Designer Aleksandr Prokopyevich Fomin about trifles of the sort of the

design of the cab, the engineer's chair. Then we were joined by Deputy Director Leonid Naumovich Sorin.

They both confirmed at once my supposition that the hand of the professional did not concern the look of the cab. But there was contact with artists. The outward appearance of recent locomotives had been developed by designers. What a pretty one there! And inside? Such as not to be seen! The engineer is a creature of habit, what you make he will accept.

Engineers see incomparable conditions for the pilot and the captain, the truck driver and the chauffeur, the operator and the mechanic at exhibitions, in film and in magazines, and in places even in the actual equipment. It is offensive to consider oneself last. Foreign locomotives look more modern in this regard. Czechoslovak electric and diesel locomotives. Even our diesel locomotives are now seen as being at the level of world requirements for ergonomics and design.

And the chair? Five years ago there was a terrible crash of a freight train on the Transcaucasus Railroad. The brakes failed and some of the railcars were thrown along the line. The locomotive went tumbling end over end on a security track. The engineer saved the trainman by forcing him to jump while the speed was still not great. The engineer himself perished in the cab. And the cab itself was not even flattened or squashed, as happens in crashes. Had there been a solid and safe chair for the engineer with seat belts like in a truck, he would have lived. And so... According to the testimony of the court medical expert: "Death ensued from multiple traumas inflicted by a blunt object."

The blunt object was the engineer's chair. It is a machined piece of metal made from sheet steel in the shape of the stem of a gigantic wineglass. The chair itself is fastened to the "wineglass." When the locomotive flipped over, this chair killed the engineer.

I told my interlocutors of this incident. And they answered, "You're in the wrong place. Tell your own ministry about that." And they elaborated that it is the Locomotive Main Administration that gave birth to and is fostering the problem of the engineer's chair. And more than one generation of managers has been fostering it.

The Novochoerkassk people became satisfied of how this is done among good people when they started building vehicles for export, on foreign orders. When they were discussing the list of constituent assemblies and units for a locomotive for Finland, they reached the engineer's chair. What does the customer want? The customer suggested a certain firm in West Germany that specializes in chairs for operators and drivers of transport equipment. The issue was resolved.

There was nothing supernatural in these foreign chairs. A similar chair was found in our own Homeland as well—a tractor chair in Belorussia. They secured the opinion of the engineers: they said "good" with gratitude. And

when they showed the colleagues from MPS... the reaction was unexpected: "The engineers will fall asleep in such comfortable chairs."

They are now testing the new VL85 and VL86 electric locomotives in Bataysk. They say this about the engineer's chairs: if you don't hold on with both hands you'll fall off in a second. And your back begins aching in the first hour of operation. It's probably time to include medicine in the experiment.

The people at VNIIZhT, by the way, have stood for a normal and anatomical chair for the engineers from the very birth of this problem. Only who listens to them, those scientists! They have also spoken with authority on the reasons that the engineers fall asleep at the wheel, considering it not a consequence of slipshod work or the more so sitting in a comfortable chair, but rather an elementary protective reaction of an organism to insufficient rest, nervous exhaustion, the "jabs" of interminable checking up, an abundance of information and daily excitations.

A crash is not needed—a good jerk is enough for an engineer in an uncomfortable position, even in his infamous chair, to bang his head. On what? There are all sorts of big boxes and little boxes in the cab. And they are all steel and, as a rule, have sharp corners. The speedometer, which is by itself and not part of the panel as in many foreign locomotives, is dangerous. The radio panel is dangerous. The engineer's valve—what a slug of metal! And the controller? The parts of the automatic stop? The boxes for the handle and vigilance button? The big boxes and little boxes, by the way, are also distinguished by color. It is easy to guess how such a cab is "built." They made a "room" and called the specialists: fly in, build your nests wherever you find room.

We were talking about design.

"And you know," said Aleksandr Prokopyevich Fomin, "how quickly and to what extent the depot people refine the cab. I was recently in Penza, Rtishchevo and Krasnoyarsk and saw our locomotives built a year or two ago—you wouldn't know them!"

There's something to object to—it's disgraceful! And nonetheless the barbaric attitude of the fitters and engineers toward the iron breadwinner, first of all, is not universal and, second, a culture of behavior and thrift is cultivated more by beauty. I was often a witness to that which I thought: the attitude toward the equipment is dictated by the equipment itself. There are different paints—one runs in a week, while another firmly withstands the blows that are frequent and not accidental in the cab. And the plastic usually gets shabby on what scales off, buckles or is made in such a way that anything gets in the way.

Having started with trifles, we have reached the major problems of the sole Scientific Research and Technological Design Institute for Electric Locomotive Building in the country. We have complained that the elderly people

and the housing are a problem, of the lack of personal computers and the clear lack of understanding of the management that the VEINII is not staffed with personnel...

"How is that affecting the work?" I ask. They answer: fundamentally. There are whole assemblies that there is simply no one to develop. There are good ideas that are growing old and remain ideas—there isn't even anyone to count them and draw them up.

The access of NEVZ to world markets, it would seem, testifies to the contemporary level of electric-locomotive building. But some secrets are revealed upon close inspection. We have already mentioned the engineer's chair, when the customer did not select our design. Our electric-locomotive builders borrowed the compressor back in the 1950s from a diesel locomotive... of pre-war design. There is no better one. The speedometer is of the same age. The brake instruments are archaic. The safety of safety instruments is not ensured. The wiring diagrams are Stone Age! It is not for nothing that the fitters joke bitterly about the domestic equipment: half the locomotive must be dismantled to replace a fuse. They are exaggerating, of course, but they have captured the trend precisely.

Whence the tasks. They will finally finish the burdensome modernization of the Novocherkassk plant, the plant workers will solve their social problems, science will be brought up to the business level. The leader will get out of the dead end sooner or later, in other words. But if the workers of allied industries continue to work as before, we in electric-locomotive building will be discarded from the world level in the same manner as they were by the diesel locomotives due to their passion for steam locomotives.

[4 Jul 89, p 2]

[Text]

### 3. Quality Costs a Lot

There is a test loop of about eight kilometers at NEVZ. When an electric locomotive is built, it runs around that track. And for many years, as they sent out the next locomotive for testing, they discuss in practically a whisper would that it only hold up. It did not hold up. A new VL85 overturned on a battered and worn track. Some 18 cars derailed. The procuracy intervened, and those involved got their due. But there were no new rails and ties from this.

The test loop was built here right after the war, naturally not in a big way. Small six-axle electric locomotives with a top speed of 75 km/hr corresponded entirely to the scale of the loop. But the year passed, the equipment became more powerful, but the rails remained the same. And the ties rotted.

A modern train of two kilometers takes up a quarter of the track. The track has become dangerous at modern

axle loads. But they can't think about a new track—there are enough other problems. A complete replacement of rails and ties is needed. And there is a shortage of the one and the other. In general, a dead end again.

According to certain information, speeds on the rails are restricted to either 25 or 15 km/hr. According to other information, the locomotives are not running at all. It is no accident that this is hushed up at NEVZ. If they were to acknowledge that traffic has not been stopped, the procurator would find out and say you're finished. And if you say there is no traffic, MPS would object.

Wicked tongues are accurate nonetheless—it is a collar, not a loop. In dimensions and in feelings. It lies heavily on everyone. The general director talked about it, it was mentioned more than once by my interlocutors at VEI-NII, but Dyuzhev is angriest of all.

Yevgeniy Pavlovich Dyuzhev represented MPS at NEVZ until the institution of state acceptance. He and his team, like him, are experienced electric-locomotive men. Relations with the plant people are proving to be different today, while the veterans of railroad acceptance have been transformed into unique expeditors—they track the equipping of electric locomotives that are shipped and the completion of documentation, monitor the correspondence of materials to GOSTs [All-Union State Standards] and the drawings, and permit or do not permit substitutions.

Many plant secrets are kept here. For example, the microcircuits are frequently far from first class, and are frequently rejects altogether at other places. It is understandable that the failure of such an assembly, say, in space would be very unpleasant. But failure on the test track can also lead to severe consequences.

There is such a concept in industry as acceptance testing. Well-conceived, for the sake of the quality of the end product. Only here there is most often nothing to choose from. To reject means to sit, wait, to disrupt the program. NEVZ is now in the stage of a drawn-out modernization, and that means that it is blasphemous to speak of such arcane matters as laboratory testing or exhaustive checking.

Dyuzhev and his assistants have more prosaic concerns. Say steel has come but it is the wrong grade. They leave the shop asking, can we put it in, will it work? If it is not a very crucial assembly, they answer at once. If it is notoriously far from the required grade of steel, they reject it. But much has to be done through the laboratory. Some have additional conditions added to them.

And now economics. Locomotives have become greatly more expensive in recent years. But an electric locomotive is recouped and begins to generate a profit comparatively faster if it is not used on a line in steam-locomotive fashion and forced to turn. There are over fifty excess locomotives in operation every day, for instance, on the North Caucasus! They have crews. The

productivity of the electric locomotive is two or three times worse than that possible.

It is interesting to compare the prices of our electric locomotives and those that go for exports. Dyuzhev opened one of his "ledgers" and began announcing almost like at an auction. Export equipment costs much more than that which is supplied to our railroads. But the quality differs as well.

Prices for industrial output, and what is more in international mutual relations, are a complex and equivocal matter. But the engineer's chair ordered as a constituent part from West Germany is probably considerably more expensive than our travesty of a chair. Foreign customers also do not accept Soviet compressors, braking instruments and much much more, which ultimately makes the vehicle more expensive. But also more modern, reliable, powerful and safe.

One can draw another conclusion from price comparisons. Seeing the excessive nature of the production program and "the shortcomings themselves" in the jobs, the rank-and-file electric-locomotive builders permit themselves to select more profitable work. Economic accountability, when the intermediate operation is not recouped, just the end product in relation to the electric

locomotive overall, will put things in their places. But the export electric locomotive, which costs much more, is also more profitable in production as well.

The plant has manufactured equipment for Finland and Poland and is building some for China, and negotiations are underway with another three countries. Contracts will be concluded that are more profitable than those with MPS, and where will we get to under the conditions of full economic accountability and monopoly production? The one remaining hope is state orders. Will there be such compulsion for long?

This supposition is also entirely in the spirit of the times. They are equipping the export equipment at NEVZ with many non-domestic, and undoubtedly better, assemblies and units; why not in the end just wash your hands of domestic compressors and speedometers and procure better ones abroad?

The dragged-out modernization of the flagship of domestic electric-locomotive production will finally come to an end. The powers-that-be will not let such a giant go up in smoke. Attempts to get out of the dead end are already being made. But then, how will our new and tempestuous times impart an unprecedentedly energetic acceleration to the old plant?

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